Austria	[illegible]	Indonesia	[illegible]	Pakistan	[illegible]
Bahrain	[illegible]	Iran	[illegible]	Philippines	[illegible]
Belgium	[illegible]	Israel	[illegible]	Poland	[illegible]
Cyprus	[illegible]	Italy	[illegible]	Portugal	[illegible]
Czech	[illegible]	Jordan	[illegible]	Qatar	[illegible]
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM8.50	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM2.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.850
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs28	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

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BALTIC STATES
Trade and aid talks start with the EC
Page 2

World News

At least 18 killed in South African fighting

Unidentified gunmen shot dead at least 18 Inkatha party supporters in South Africa's Tokoza township yesterday and injured 14. Six more black people died in fighting elsewhere and two journalists were shot and wounded in Soweto township.

Tokoza has been the scene of frequent fights between Inkatha and the rival African National Congress. In six days, the rivals and the government are due to sign an agreement aimed at halting the violence. Page 5

Serbs tighten grip

Yugoslavia's federal army and Serb militants tightened their grip over strategic Croatian towns, adding to the problems of The Hague peace conference. Page 16; Pessimistic diplomacy, Page 3; A not so far away country, Page 15

China protests to US

Beijing protested to Washington after US customs officials searched 23 Chinese companies, most of them in New York, as part of an investigation into illegal trade practices.

Air safety check

The US Federal Aviation Administration is to order precautionary safety checks on reverse-thrust brakes on Boeing 757s. The order is based on evidence from May's fatal a Boeing 767 crash in Thailand.

Rebels kill hostage

An oil engineer kidnapped in India by Assam independence fighters was found dead and an unidentified gunman killed an Amnesty International official who was bargaining for the oilman's release.

Aquino backs bases

Philippines President Corazon Aquino is to lead a mass rally tomorrow in support of US military bases in the country. The rally comes on the day of an expected Philippines senate vote on the issue. Page 5

Shipwreck deaths

Rescuers gave up searching for 24 people still missing after a coastal trader foundered on a reef off Papua New Guinea with 83 people aboard.

Taiwan protest march

Taiwanese demonstrators called for the country to rejoin the United Nations as an independent nation. Taiwan was ousted from the UN in 1971 in favour of China.

Dutch arrest Irishman

Dutch police arrested a 45-year-old Irishman suspected of murdering a Belgian policeman in 1989. A Dutch news agency said the unnamed man was a suspected IRA terrorist.

Argentine polls

Argentines went to the polls yesterday in mid-term elections which President Carlos Menem is expected to win. Page 4

New Year alert

The Israeli army sealed off the occupied territories to prevent attacks on Israelis during Jewish New Year. Shamir spurns peace link to loan guarantee Page 4.

Sabotage theory

Anti-democracy saboteurs may have been responsible for the head-on train crash which was reported to have killed over 150 people in Congo, the country's transport minister said.

Fatal shark attack

A 19-year-old diver was killed by a white pointer shark at a reef south of Adelaide, South Australia.

Mitterrand's milestone

François Mitterrand, 74, today becomes France's longest-serving president. He took office in 1981 and has four years left of his second seven-year term.

Business Summary

German car sales should boost figures for Europe

A surge in sales in a unified Germany is expected to trigger a slight increase in overall western European new car sales this year, despite falling demand in several other key markets.

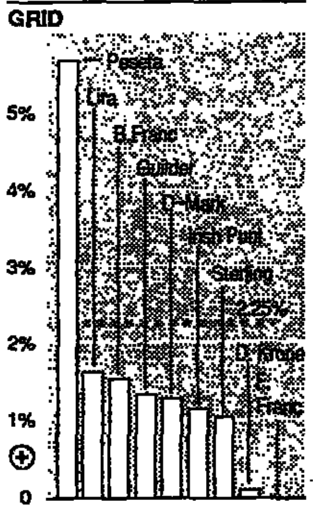
According to DRI Europe, the automotive analysts, the strength of the German market has surprised even optimistic observers. Page 3

EUROPEAN Monetary System: Attention focused on sterling last week after UK bank base rates were cut. The pound shrugged off the move, however, as opinion polls pointed to an improvement in the ruling UK Conservative party's fortunes. After moving up one place on Thursday sterling finished unchanged on the week as third weakest member of the ERM grid. Spanish inflation data this Thursday may turn the spotlight on the peseta, highest member of the system.

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow

EMS September 6, 1991

GRID



band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

TELEPHONES: International charges are likely to remain high for some time after the failure of national companies and ministries at a meeting in Geneva substantially to reform accounting rates. Page 16

AIR FRANCE, currently in talks with Sabena, the Belgian airline, which could lead to commercial co-operation between the two companies, has ruled out the possibility of taking a stake in its loss-making rival. Page 19

SOUTH AFRICA: The government has announced a package of investment incentives which are likely to result in several big capital projects being given the go-ahead. Page 5

EAGLE STAR, UK insurance subsidiary of the tobacco-based BAT Industries group, has received a writ from Banque Bruxelles Lambert in connection with the property mortgage indemnity business which has run the insurer into serious problems over the past two years. Page 18

GREECE: Prime minister Constantine Mitsotakis vowed to toughen his economic austerity plan in the next year, regardless of the political risk. "We will be as unpopular as we have to be," he told a news conference. Page 3

REDLAND, UK building materials group and the world's biggest roof tile producer, is expanding its manufacturing operations in eastern Germany as part of a £70m ($118m) package of investment worldwide. Page 17

Italy leads attack on Dutch plans to toughen Emu entry

By **David Buchan** and **David Gardner** in Brussels

PRESSURE IS growing among European Community member states for changes to proposals on European monetary union put forward by the Dutch presidency of the EC last week and due to be discussed by finance ministers in Brussels today.

Italy in particular is concerned that tough economic conditions should not be imposed on countries wishing to participate in a European currency union. The European Commission has joined Italy in expressing concern that the Dutch proposals increase the prospect of a two-speed move to Emu.

The core proposal of the Dutch government, which has always aligned itself closely with Germany on monetary policy, is that economic convergence must precede monetary union.

Specifically, it suggests that, when the transitional second stage of Emu is reviewed at the end of 1996, no state should be eligible to enter the currency union, unless for the previous two years it had kept its inflation rate close to that achieved by the member state with the best performance in terms of price stability, had avoided "excessive" budget deficits, and kept within the narrow band of the exchange rate mechanism without any devaluation.

The Dutch paper also implies that any convergence along these lines must have lasting credibility in the eyes of the financial markets. This credibility would be reflected "in a close approximation of comparable interest rates relative to those member states with the best performance in terms of price stability", its says.

The Dutch presidency of the EC claimed that when these proposals were discussed by senior officials of the Twelve last week, they only drew serious criticism from Greece. But Italy, it seems, and perhaps other southern countries which are worried about being left behind by the north in the move to Emu, may have been holding their political fire for today's ministerial debate.

Italy and the Commission complain that not only do the Dutch paper's strict convergence criteria increase the prospect of a two-speed move to Emu, but that they also depart from the October 1990 Rome agreement on setting up the outline of a European central bank in 1994. This agreement was never supported by the UK and has been questioned by Germany.

The Dutch paper proposes a European Monetary Institute for the transitional stage of Emu, with the European central bank only being established after the final decision to create Emu has been taken.

The general feeling in Brussels is that events in the Soviet Union and eastern Europe make it all the more important to finish the intergovernmental conferences on Emu and political union this year.

The urgency of the need for the EC to respond to the east is why France has been so bitterly attacked by many of its partners for failing to put geopolitics ahead of its farming interest and admit more meat from central Europe to the EC.

France considers the Commission is trying to bounce the EC into accepting its plan to overhaul the Common Agricultural Policy, using agreements and negotiations with General Agreement on Tariffs and Trade, and the need to bind eastern Europe more closely to the EC, as its weapons.

It badly misjudged the mood prevailing after the Soviet events, and was left isolated last week, even though countries such as Ireland have similar misgivings.

US may seek talks on N-weapons in Europe

By **Lionel Barber** in Washington

THE US is ready to discuss the withdrawal of battlefield nuclear weapons from western Europe, Mr Dick Cheney, US defence secretary, said at the weekend.

Mr Cheney said the US expected to discuss the issue with its Nato allies during a meeting of the alliance's nuclear planning group this month.

His comments suggest that the Bush administration is considering further changes in its nuclear strategy in Europe following the collapse of the Warsaw Pact and the recent favourable developments in the Soviet Union.

Speaking on US television, Mr Cheney said: "Both sides (US and Soviet Union) have short-range systems, artillery shells, short-range missiles with nuclear warheads on them which no longer have much validity in the new European environment."

Despite his offer on short-range nuclear weapons, Mr Cheney ruled out any immediate large-scale cuts in the US defence budget in the light of events in the Soviet Union. The present five-year plan would already bring down the size of US armed forces to its lowest level since before the Korean war.

"You cannot make those kind of fundamental decisions about long-term US security requirements based on developments day-to-day or even week-to-week in the Soviet Union," he said.

The Pentagon's interest in opening talks on battlefield nuclear weapons stems partly from concerns about the proliferation of such weapons inside a Soviet Union which could be unstable over the next few years.

More broadly, it points to general agreement that a more enlightened Soviet leadership which is prepared to cut defence spending and shrink the size of the Red Army opens the possibility of "new thinking" in US military strategy.

A call for minimum deterrence, Page 30

Salomon says few clients have left after allegations

By **Peter Martin** and **Richard Waters** in London

SALOMON Brothers, the Wall Street investment bank caught up in allegations that its traders rigged US government bond auctions, says it has lost very few clients because of the scandal.

Mr Deryck Maughan, appointed as chief operating officer of Salomon Brothers last month, said yesterday that 24 of the bank's 27 most important fixed-interest clients worldwide continued to do active business with Salomon's trading desks.

Of the remaining three, one – the World Bank – has suspended business with Salomon Brothers until the end of this month, when it will review the new management's clean-up efforts. Another, the California state pension fund, is not dealing with Salomon Brothers on government securities, but is continuing to trade mortgage-backed securities and equities with it. The third is not investing in the fixed interest market at the moment.

Similarly, said Mr Maughan, 92 of the firm's 100 top equity-trading clients are continuing to trade actively with it.

In investment banking, there had been one well-publicised loss of business, the UK Treasury's decision last week to drop Salomon as lead manager of the US portion of the sale of the government's remaining stake in British Telecom, due in November.

"I think that decision was largely taken on UK domestic grounds," said Mr Maughan, rather than because the US authorities had warned the British government against using Salomon Brothers, or because its ability to place shares in the US had been harmed. "Corporate America is sticking with us," he said.

Mr Maughan visited London over the weekend to talk to UK-based staff, clients, and financial authorities.

Salomon Brothers' future depends on the penalties the US regulators decide to impose, said Mr Maughan. "If the government takes away your licences, you're out of business. If it levies a fine out of all proportion to history and your capital base and the crime, you're out of business."

Mr Maughan did not rule out the possibility that further damaging disclosures aboutSalomon Brothers' past activities might emerge during the investigations. The new management's knowledge of what had taken place was based entirely on what those involved had told it; a government investigation had greater powers than the firm so it might find out more, he said.

So far, however, "We have suffered some reputation damage but I would say our franchise is essentially preserved at this point."

Background, Page 17

Moscow may seek to default on debt

By **John Lloyd** in Moscow and **Christopher Parkes** in Bonn

FEARS over the ability of the Soviet Union to maintain foreign debt repayments have emerged after Mr Thomas Alibyegov, deputy chairman of the Bank for Foreign Economic Affairs, said Moscow might be forced to request debt rescheduling.

This, he said, was only the "worst possible option" if talks aimed at securing new credits failed.

The total Soviet debt stands at more than $60bn, with $15bn-$20bn in short-term debts repayable over the next 2¼ years.

Western economists attending a Moscow meeting of the World Economic Forum said they were convinced that Moscow would soon request debt rescheduling, because of the fall in Soviet oil production and foreign sales.

Mr Hilmar Kopper, chief executive of Deutsche Bank, Germany's biggest bank, also expressed concern at the weekend about the status of Moscow's debts. He said in Bonn that the west should pump in $4bn-$5bn in bridging loans if a debt crisis – or worse – is to be avoided. He also stressed that Moscow's existing financial institutions must be kept intact.

"You can set up new banks [in the newly independent republics] quickly, but how long does it take before they can be trusted?" Mr Kopper asked. Perhaps 50 per cent of Soviet debt might be the responsibility of Russia, but who was to know who was responsible for the rest?" he asked.

In Moscow, senior figures in the Soviet and Russian governments said the rouble will become convertible next year – in spite of fears that this may fuel hyperinflation and cause social unrest.

Mr Ivan Silayev, the Russian prime minister who chairs the four-strong Committee for the Management of the National Economy, told the forum on Saturday: "I think we would be able to do this [make the rouble convertible] next year. I believe it will happen in 1992."

Mr Evgeny Saburov, the Russian deputy prime minister and economics minster said: "No matter how hard and difficult it might be, the rouble will be made convertible in 1992, though I cannot give you a precise date now."

This contrasted with pessimistic assessments of rouble convertibility given to the conference by Mr Alibyegov, supported by Mr Valerian Kulikov, deputy chairman of the State Bank and Mr Ivan Ivanov, an independent foreign trade expert.

Mr Kulikov revealed that a committee of bankers and economists had told the previous government of Mr Valentin Pavlov that its aim of internal convertibility by January 1992 was "an adventurist measure".

He claimed that Mr Pavlov's support for the August 19 coup was born of the desperation he felt about being unable to meet that target.

Mr Ivanov said convertibility would require at least $20bn a year for three years from the west to allow the State Bank to support the rouble. The Soviet Union, he said, had no hope of receiving such amounts.

Mr Saburov pleaded for urgent humanitarian aid from the west to prevent food shortages in the coming winter. This will be discussed at talks between Soviet leaders and western foreign ministers who arrive in Moscow today for the opening of the Conference on Security and Co-operation in Europe.

In a newspaper interview Mr Saburov said plans immediately to privatise large parts of the Russian economy had been set aside in favour of pursuing emergency measures to secure food and fuel supplies and to convert defence industries to civilian production.

The Committee for the Management of the National Economy is expected to produce a blueprint of an inter-republican economic agreement over the following week. This would be in time for the next meeting of the State Council, effectively the supreme Soviet executive body, on September 16.

● Soviet army troops yesterday started withdrawing from Lithuania in what appears to be the first formal step by Moscow in recognition of the new state, Gillian Tett reports from Vilnius.

More than a dozen trucks, carrying Soviet army troops pulled out of the North Vilnius barracks under the supervision of Lithuanian police.

Wind of change, Page 16
Preparing for winter, Page 2

A young boy raises the Georgian flag during a rally in Tbilisi in support of the president and parliament

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THE MONDAY INTERVIEW

Sir Charles Powell, Mrs Thatcher's foreign policy adviser for six years, achieved an almost legendary reputation. Some Foreign Office colleagues would grumble that he had become "more Thatcherite than Thatcher"
Page 32

FORTHCOMING FT SURVEYS

Reinsurance: an industry all at sea. *See survey today, separate section.*

Moscow fears winter fuel and food shortages

By Mark Nicholson in Moscow

THE first chilly days of autumn in Moscow have brought with them dire warnings of food and energy shortages across the Soviet Union this winter, and of serious political consequences.

The Moscow city council this weekend set up an emergency committee to ensure food supplies to the capital, with Mr Valentin Karanaukhov, its chairman, saying: "The catastrophic situation with food supplies dictates such emergency measures."

Mr Karanaukhov said Moscow might be without any reserves of potatoes this winter. His committee was negotiating supplies of vegetables with other republics.

As part of an emergency response to a prospective food shortage, more than 20,000 Soviet troops have recently been drafted into the countryside around Moscow to help with the harvest.

Meanwhile, Mr Ivan Silayev, the Russian prime minister, said at the weekend that fuel stocks for Soviet power stations stood at just 60 per cent of required levels for the winter. Oil production in the Soviet Union has fallen to 10m barrels a day this year from levels of 12.5m b/d last year, while coal procurement is just 20 per cent of planned targets.

Mr Eduard Shevardnadze, the former Soviet foreign minister, warned at the weekend that a severe winter on top of these shortages would bring "very serious problems", adding: "People could take to the streets spontaneously... very dangerous people could then take centre stage."

As the Soviet grain harvest enters its last weeks, most Soviet and western officials are expecting a poor yield of around 190m tonnes, against 240m tonnes last year, leading western diplomats in Moscow to estimate that the Soviet Union will need to import between 77m and 110m tonnes.

The harvest's effective yield will be much lower, however, both because up to 20 per cent of the harvest is traditionally lost to poor transport and storage, and because farmers, increasingly disillusioned with prices and incentives offered from the central authorities, are hoarding grain.

As the republics haggle over the terms of their economic ties with each other, and particularly with Russia, supplies of food across the union also risk becoming a political bargaining chip.

Nevertheless, Mr Vladimir Tikhonov, an academic at the Soviet Agricultural Academy, said in this week's Soyuz magazine that the choice of food would be poorer this winter, but said: "Famine is ruled out – and I say this as someone who knows the situation well."

Mr Tikhonov said the problem was not lack of production, but inefficient, centralised distribution. "On the average, this country produces 70m tonnes of potatoes a year – as much as China, Britain, Germany and the US put together. Americans produce 15m tonnes a year, and find this quite sufficient."

Thousands queue for a last look at Lenin

Leyla Boulton finds Soviet citizens as keen to praise the state's founder as bury him

A QUEUE almost a mile long yesterday stretched across Moscow's Red Square and into a neighbouring park as thousands waited for what might be a last chance to file through the ultimate temple of Soviet communism – Lenin's mausoleum.

"I came here to see him when I was a girl," said a woman of 40. "But he looks much better this time round."

Lying in a sumptuous glass casket and dressed in a natty blue suit, Lenin's body looks more like an artful imitation rather than the real thing. Rumour has it that after numerous repairs abroad, the real thing was thrown out a long time ago.

The scene is not from a sick movie about the "evil empire" but from a final visit to the mausoleum on Red Square where Vladimir Ilyich Lenin, the founder of the Soviet state, has been embalmed since he died in 1924.

With the collapse of 74 years of communist rule, the mausoleum's days seem numbered.

Last Thursday, the day parliament formally dissolved the old Soviet Union, Mr Anatoly Sobchak, mayor of St Petersburg (formerly Leningrad), proposed that Lenin be granted his last wish – to be buried.

And it is not just Lenin who stands to get a decent burial. It is the entire communist mythology which victorious democrats want to bury.

There are still millions of people, however, for whom the dismantling of this heritage is a tragedy.

Tears welled in the eyes of Mrs Liubova Strelnikova, a 55-year-old history teacher, as she emerged from her second visit to the mausoleum in as many days. She said she owed everything to Lenin's revolution – including her free education and her cheap trips to eastern European countries when they were still Soviet satellites.

"My children will not be able to have any of this because everything's expensive now and you have to pay for trips to the popular democracies," she explained, having travelled the 800km from the town of Saratov to see Lenin one last time.

Mr Vladimir Melnichenko, director of the Lenin museum, says that if Lenin were able to see how he had been turned into an idol, "it would have killed him". But he warns against trying to "rip out a page of our history" which will eventually have to be pasted back.

Appointed five months ago, he had been planning to redesign the collection so that it would show Lenin "warts and all". But he is afraid he will not be given a chance.

Mr Gavriil Popov, the mayor of Moscow, has served notice that the museum has to vacate its large red-brick premises around the corner from the mausoleum by the end of the month.

A Rbs2.3m ($1.3m) fund of contributions from ordinary citizens to help preserve the museum has been frozen along with all other Communist party funds, and unless Moscow City Council gives him a building and the money is unfrozen, he will have to give up his dream of a new museum.

The first victims of popular anger unleashed last month after decades of enforced respect were monuments to such as Felix Dzherzhinsky, founder of the Soviet secret police which terrorised generations.

Moscow City Council, appealing against a repetition of the demolition of churches and Tsarist monuments which followed the first Russian revolution, has set up a sculpture park where offending statues can find a civilised resting place.

Iron Felix, pulled down from his pedestal in front of KGB headquarters, now lies on his side in a grassy lot near the Tretyakov art museum. His companions so far include a statue of Mikhail Kalinin, who served as Soviet president in the 1930s, and Yakov Sverdlov, a Bolshevik henchman who ordered the execution of the Tsar and his family in 1918.

The city's main statue of Lenin, situated on October Square around the corner, may well be next in line for the removal men.

Threat to US grain sales

US grain sales to the Soviet Union may be halted temporarily because American and foreign banks have failed to take up the Bush administration's offer of loan guarantees to finance the shipments, Lionel Barber writes from Washington.

Officials fear a halt in sales could further complicate efforts to cope with an expected winter food crisis in the Soviet Union.

President Bush said two weeks ago he would make available $315m (£186m) out of $500m agricultural loan guarantees which had been planned for October 1, but so far the commercial banks have remained wary.

'Sham' election in Azerbaijan

AZERBAIJAN'S first direct presidential elections yesterday went ahead, despite criticism by the opposition, writes Ariane Genillard in Baku.

Mr Ayaz Mutalibov, the current president, was the only candidate after his opponents refused to take part in 'sham' elections.

Baltic states to open talks with EC on trade and aid

By David Buchan in Brussels

THE Baltic states today start talks in Tallinn, the Estonian capital, with the European Commission on winning trade and aid concessions from the EC.

Mr Frans Andriessen, the EC's external affairs commissioner, is to meet representatives of the three states to discuss their economic needs and desires. The commissioner goes on to Moscow later today, but a team of EC officials will visit Riga and Vilnius.

The Baltic states' foreign ministers were in Brussels on Friday to tell their counterparts from the Twelve of their wish to become "associated members" of the Community. "We are shifting towards the west, towards the EC," said Mr Algirdas Sautargas, the Lithuanian foreign minister. "It is too early to discuss membership, but the shift is in that direction."

Today's talks have a much shorter focus. On offer to the Baltic states are the standard trade and economic co-operation agreements that Brussels has with east European states. But since Baltic trade is tied to the remaining Soviet republics, the immediate issue is extension of the aid programme of the Group of 24 western industrialised countries, which is co-ordinated by Brussels.

The EC's initial estimate is, in the words of a Commission paper, that the 8m Balts will need $2bn-$3bn a year.

Recession forces a downward revision of figures for the UK

Germany likely to buoy new car sales in Europe

By **Kevin Done**, Motor Industry Correspondent

A SURGE in sales in a unified Germany is expected to trigger a slight increase in overall western European new car sales this year, despite falling demand in several other key markets.

According to DRI Europe, the automotive analysts, the strength of the German market has surprised even optimistic observers.

DRI, which forecast earlier this year a 2.2 per cent decline in west European new car demand, says in its latest report that the market is now expected to expand by 0.5 per cent to 13,268,000 vehicles.

The figures have been distorted by the strength of German demand and inclusion of east Germany in German new car registrations since the start of 1991. Excluding Germany, western European new car demand is forecast to fall by 9.3 per cent.

Of 16 markets in western Europe only four – Germany, Austria, Greece and Portugal – are likely to enjoy higher demand levels this year.

DRI forecasts that new car sales in Germany will jump by a third to 4.07m, from 3.04m in west Germany alone last year. Since its last forecast in May DRI has raised its estimate for German car sales by 510,000 and has increased its projection for the share taken by east Germany to 620,000 from 360,000.

While the size of the increase in German sales has surprised the motor industry, it has also been forced to revise downward forecasts for the UK, in the face of a severe recession, and for France. UK new sales are projected to drop to 1.58m, a 31 per cent fall in two years and the lowest level since 1982.

DRI suggests the picture will be reversed next year with the start of a recovery in France and the UK, where new car sales are expected to show a 10.6 per cent increase to 1.75m.

Demand is likely to slip back in Germany from this year's inflated level, with an 18 per cent drop to 3.35m in the face of tighter economic conditions.

While this will depress overall western European demand by 2 per cent, the rest of the western European market, excluding Germany, is forecast to increase by 5 per cent.

DRI estimates that the share of Japanese cars in the European Community market will rise from 10 per cent in 1990 to 12.3 per cent in 1995, with the UK offering one of the biggest increases; from 11.7 per cent last year to 17.3 per cent in 1995.

World Automotive Forecast Update. DRI Europe, Wimbledon Bridge House, 1 Hartfield Road, Wimbledon, London, SW19 3RU.

EUROPEAN CAR SALES FORECAST (000's)*

	1990	1991	1992	1993	1995
Western Europe total	13,197	13,268	13,005	13,908	14,841
EC total	12,154	12,322	12,024	12,821	13,663
Germany**	3,041	4,070	3,350	3,553	3,757
Italy	2,348	2,253	2,290	2,352	2,350
France	2,309	2,070	2,159	2,245	2,407
UK	2,009	1,580	1,748	2,065	2,234
Spain	982	895	983	1,086	1,318
Eastern bloc total	2,299	2,046	1,937	1,892	2,333

EUROPEAN CAR PRODUCTION FORECAST (000's)*

	1990	1991	1992	1993	1995
Western Europe total	13,574	13,278	13,233	14,147	15,243
EC total	13,238	12,930	12,831	13,716	14,790
Germany**	4,661	4,772	4,639	4,778	5,059
France	3,295	3,139	3,117	3,330	3,564
Italy	1,875	1,754	1,741	1,836	1,935
Spain	1,679	1,623	1,608	1,697	1,889
UK	1,296	1,216	1,306	1,561	1,758
Eastern bloc total	2,449	2,180	2,090	2,059	2,516

*1990 actual, 1991/95 forecast. **From 1991 Germany total includes East German states.
Source: DRI World Automotive Forecast Report.

'Pessimistic diplomacy' pervades Yugoslav talks

David Gardner sees the EC peace conference begin with an exchange of vitriol between principal parties

"EUROPE is on the edge of a disaster on the question of Yugoslavia," judged Mr Douglas Hurd, the UK foreign secretary, having just seen the EC's peace conference on Yugoslavia open in The Hague to an exchange of vitriol between Croat and Serb leaders.

Lord Carrington, the former UK foreign secretary chosen to chair the conference, remarked drily afterwards that he foresaw "considerable difficulties ahead". Indeed – but progress so far can justly be said to be par or slightly better for a particularly treacherous course, despite the heat of Saturday's clashes.

Mr Franjo Tudjman, the right-wing president of Croatia, which along with Slovenia declared itself independent on June 25, accused Serbia and the Serb-dominated federal army of waging a "dirty, undeclared war" against his republic which had claimed 2,200 dead and wounded. He suggested "direct military intervention" to protect Croatia.

Mr Slobodan Milosevic, Serbia's president, won instant if ephemeral advantage by replying in English polished into perfect sound-bites. The "totalitarian and chauvinist regime in Croatia" had set off the bloodbath by attacking its Serbian minority, which it would not be allowed to imprison inside a new and hostile state. Serbian paramilitaries in Croatia were defending themselves against "the repetition of genocide" carried out by the Nazi-installed Croatian republic during the Second World War.

Yet it was only to be expected that the main combatants would use the

Slobodan Milosevic (left) and Franjo Tudjman used the opening session to stake out their uncompromising positions

opening – beamed back to Yugoslavia – to stake out uncompromising positions. It was equally predictable that when the EC foreign ministers last week set Saturday as the date for the conference to start, there would be a great spasm of violence in Croatia as each side sought last minute advantage on the ground.

Lord Carrington's experience of these affairs, moreover, is now complemented by a new sureness of EC touch – which was lacking when the Community started its first international fireman's job 10 weeks ago.

The EC's nerve was tested last week, when Germany appeared to have set off a campaign to recognise Croatian independence. Most of Bonn's partners see recognition as a final weapon, a sort of diplomatic nuclear bomb.

Mr Hans-Dietrich Genscher, the German foreign minister, has gone quiet on recognition. This is not least because his colleagues demonstrated that the Croats last week deliberately provoked combat with the federal army in order to "internationalise" the conflict.

All this reflects growing knowledge of and engagement with the forces driving events in Yugoslavia. Much of the credit for this reflects on Mr Hans van den Broek, the tough-minded Dutch foreign minister and current president of the EC Council of Ministers.

After being duped by Mr Milosevic on an earlier peace plan on August 4, he wielded the EC's few diplomatic weapons well enough to get all parties round Saturday's table.

When Mr Milosevic insisted that Yugoslavia's internal boundaries were purely administrative, Mr van den Broek insisted the EC would never recognise "any change unilaterally of internal or external borders". And the Serbian leader signed a joint declaration agreeing.

The Dutch minister's careful opening speech said the manipulation of nationalist sentiment to fill "the emotional vacuum which accompanies the demise of communism" was not acceptable. Europe would not allow itself to be sucked back into tribalism. Having accepted EC mediation, he told the Yugoslav leaders, "you and we stand for a historical choice. Either we allow the violent past of Europe to return or we overcome this legacy and continue along the path towards unity in a Europe at peace with itself."

Ringing words but they do not gainsay the intractability of dealing with a Croatia which sees its best chance as widening the civil war or with a Serbian leadership, using a thin federal cloak to hide its expansionism, whose grip on power is tightened by the conflict.

The conference is due to reconvene on Thursday. Lord Carrington, Mr van den Broek underlined to his colleagues, will be the "one, unanimous voice" of the EC, working from an office in the Dutch Foreign Ministry. He will have a secretariat of probably three senior EC diplomats, and divide the conference into working groups. These will seek maximum political agreement before isolating those issues, such as frontiers and the future of the federal army, which may require the binding arbitration to be provided by five leading EC constitutional lawyers.

But this is just structure. To coax along political agreement and acceptance of arbitration, Lord Carrington will use the bilateral talks tactic which served him well at Lancaster House in 1979, and which is the standard EC means of breaking log-jams. This means working with the factions on a one-to-one level, away from the spotlight which led to Saturday's grandstanding.

As this one-nation Tory patrician and former bear-hunting companion of Marshal Tito confronts the fissiparous tribes of Yugoslavia, one of his successors, Mr Hurd, recalled that "Lord Carrington taught me the art of pessimistic diplomacy."

The deliberate creation of low expectations was his opening gambit in a peace process which is in for a very long haul.

Greek PM warns on economy

MR Constantine Mitsotakis, Greek prime minister, vowed yesterday to toughen his economic austerity plan in the next year, regardless of the political risk, Reuter reports from Athens.

"We will be as unpopular as we have to be," he told a news conference.

Mr Mitsotakis, who formed the first conservative government in nine years after elections in April 1990, said his measures so far had made some progress but had failed to cut big budget deficits.

In a policy speech on Saturday, Mr Mitsotakis warned Greeks to prepare for another year of hardship, saying the first signs of economic recovery would be felt only late in 1992.

Mr Mitsotakis, who is under fire from an increasing number of critics in his own party as well as the opposition Socialists, repeated yesterday that he had no intention of calling an early election or resigning.

"This is a four-year government and it needs four years to complete its programme," he said, pouring cold water on rumours that he was planning an election later this year.

De Maizière replacement lined up

MRS Angela Merkel, Bonn's women's minister, looks set to replace Mr Lothar de Maizière as deputy chairman of the ruling Christian Democrats (CDU) after his resignation on Friday, writes David Goodhart in Bonn. He accused the west German wing of the party of failing to understand east Germans.

Mrs Merkel, 37, who like Mr de Maizière is an east German, "embodies a new generation of politician from the east who will strengthen the CDU", according to Mr Volker Rühe, the CDU general secretary, who has been leading the attack on the east German CDU.

He believes lack of a proper purge of the old eastern CDU, a bloc party which supported the former regime, has hindered the progress of talented young east Germans and damaged the party's image. The CDU has lost nearly a third of the new east German members it acquired last year and now trails the Social Democrats in polls in the east.

Yesterday Mr Klaus Reichenbach, chairman of the CDU in Saxony, also resigned under pressure from reformers in Bonn.

But Mr de Maizière, who temporarily quit all his party posts last December after accusations of working for the Stasi secret police, believes the reformers are forcing a foreign political culture on to the east.

Last week he went on the offensive and accused the Bonn CDU of withholding DM26m (£8.8m) which belongs to the east.

Underlying the dispute is the complaint that the western CDU, and west Germany in general, has seen unification as a one-way process.

● Mr Hans-Dietrich Genscher, German foreign minister, flew to Moscow yesterday to explore ways to co-operate with Soviet leaders, AP reports from Bonn. He plans to visit the newly independent Baltic republics later in the week.

Mr Genscher, on his first Moscow trip since last month's failed coup attempt against President Mikhail Gorbachev, had meetings scheduled with Mr Gorbachev and Russian President Boris Yeltsin to learn how the two leaders are working together.

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INTERNATIONAL NEWS

Shamir spurns peace link to loan guarantee

By **Hugh Carnegy** in Jerusalem and **Lionel Barber** in Washington

MR Yitzhak Shamir, Israel's prime minister, said yesterday any link between Israel's request to the US for a $10bn loan guarantee and the planned Middle East peace conference could upset the region's peace process.

The premier was thus stepping up the rhetoric in the row with Washington over extra US financial assistance for Soviet Jewish immigration to Israel.

President George Bush has taken an opposite view, asking Congress not to take up the issue of guarantees for $10bn in Israeli borrowing until January, so as not to endanger delicately poised plans to launch Arab-Israeli peace talks next month.

But the US administration, while deliberately picking a fight with Israel over its request, may still be prepared to offer some short-term help with the housing problems in Israel.

Mr James Baker, US secretary of state, is to visit the Middle East this month after talks in the Soviet Union. His mission is to remove the final obstacles to a Middle East peace conference, and he may offer "temporary" aid to Jerusalem to avoid "linkage" between the housing issue and participation in the peace talks.

Mr Bush could have tied the request in red tape, as last year when Israeli sought $400m in loan guarantees. Instead, he went public with an unusual appeal to Congress to delay action for 120 days, until the conference was under way.

Israel has protested loudly against "linkage", saying the loan guarantees to fund immigration are a separate issue. "I said the act of linkage could endanger the nature of the peace process," Mr Shamir said on Israel Radio.

"Why? Because, at the moment, the Arabs suddenly get a gift like this which they don't expect. They will dance on the rooftops, the level of their demands will go up and up, and this would not permit a peace process."

In a speech to mark the Jewish New Year last night, Mr Shamir defied another US stricture, saying the momentum of increasing immigration went "hand in hand" with the momentum of Jewish settlement in the occupied territories. Washington wants Israel to halt new building to settle Jews, which it calls an obstacle to peace.

Israel went ahead at the weekend with the formal presentation to the US government of its loan guarantee request, hours after Mr Bush had called on Congress to delay it.

Despite this, and the strong protests at the weekend, Mr Shamir's government has avoided saying explicitly that it will try to win early approval of the package in Congress, in defiance of the president.

Young Palestinian men run away from a pile of burning tyres during a weekend clash with Israeli troops, who broke up a march in support of Israeli-held prisoners, near Nablus on the West Bank

Egyptian minister seeks backing for top UN post

By **Tony Walker** in Cairo

WHEN Mr Boutros Boutros Ghali, an Egyptian deputy prime minister, visits London today on his way to Washington, he will be embarking on the most critical phase of his campaign to become secretary-general of the United Nations.

If Mr Ghali, 68, is to succeed Mr Javier Pérez de Cuéllar, who is due to retire this year, he will need the support of both Britain and the US, both permanent members of the Security Council.

The veteran Egyptian diplomat has emerged as the prime African and Third World candidate. From past experience, though, Mr Ghali cannot be too sanguine about his chances.

He has failed to become head of the UN Educational, Scientific and Cultural Organisation (Unesco) and of the UN High Commission for Refugees (UNHCR). Now he is lobbying hard for the UN's top job in the hope of being third time lucky.

Mr Ghali, Egypt's minister of state for foreign relations for 14 years, is an experienced diplomat. An international lawyer and fluent in English, French and Arabic, he would seem to have many of the qualities required to head the UN.

Mr Ghali says he sees the role of secretary general as that of a consensus-builder among the five permanent members of the Security Council. Another important requirement was to be a "good administrator".

Mr Pérez de Cuéllar is not seen as having succeeded in streamlining and improving the top-heavy UN secretariat. "The UN has become a monster," Mr Ghali says. "The question is how we can manage the system better."

His quest for the job is helped by the fact that Africa, with a third of UN members, has never filled the post.

His main opponent is Prince Sadruddin Aga Khan, a special UN envoy for refugees and personal friend of President George Bush.

Mr Ghali can expect the support of the non-aligned movement, unless a more prominent Third World candidate emerges. He has also had indications of support from France – he gained his doctorate in international law from the Sorbonne in 1949 – and from China. India is said to be looking favourably on his candidacy.

Ghali: lobbying hard

Mr Ghali is a Coptic Christian from a political dynasty in Egypt. His grandfather was prime minister early this century and other members of his family have held high office.

As acting foreign minister, he accompanied former President Anwar Sadat on his historic visit to Jerusalem in 1977, and helped negotiate Egypt's peace treaty with Israel.

'Good borrower' looks for confidence vote

Israel's aim is deeper integration into the world economy, writes **Hugh Carnegy**

THE amount of foreign borrowing Israel must raise to fund the immigration of Soviet Jews is so great that US guarantees are needed to ensure it can be secured, according to Mr Jacob Frenkel, the newly ensconced governor of the Bank of Israel.

Less than four weeks after exchanging the role of director of research at the International Monetary Fund for the central bank job, Prof Frenkel finds himself at the centre of the increasingly controversial debate over the guarantees.

"The world capital markets are so tight and the needs so vast that a small country like Israel coming to the market – even a good borrower like Israel – is going to have to pay rather stiff rates of interest. Also it is not clear that Israel may not face some availability problems," he said.

President George Bush has angered the Israeli government by asking the US Congress to delay until January consideration of its request for guarantees to back borrowing of $10bn for fear of upsetting Middle East peace efforts. The government has already factored early approval of the guarantees into its 1992 budget plan. Prof Frenkel said the guarantees would affect Israel's need for a further $10bn from outside the US.

"With such loan guarantees Israel can go to the market place with an implicit vote of confidence in the economy, its prospects and in the economic strategy that it has, so we believe [granting the guarantees] is extremely important and we put it forward also as a means to assist in an extraordinary humanitarian challenge.

"Israel is not asking the US for loans. What Israel is asking is for loan guarantees which. . . will cost the American tax payer very little or nothing at all."

Prof Frenkel is due in Washington later this week to argue the case – unless he is called back by Prime Minister Yitzhak Shamir following President Bush's forceful demand.

He will inevitably face questions about giving Israel additional financial assistance when it refuses US calls to stop expansion of Jewish settlements in the occupied territories.

Prof Frenkel was appointed, after all, by the most hardline government Israel has ever had, which many believe puts the issue of keeping and settling the occupied territories above all others. But the governor says he cannot envisage diversion of resources away from "the more important activities" that immigration absorption demands.

In Israel, the governor of the central bank is also chief economic adviser to the government. Prof Frenkel therefore has a potent role to play in how the country copes with the influx of an estimated 1m Soviet Jews. Much of the debate focuses on the need for more rigorous reforms to cut down the role of the state. It is a debate which is also relevant to the loan guarantees because many economists argue that Israel has developed an over-dependence on foreign aid – mainly from the US – that has curbed the incentive for reforms.

"I think this point is valid as a matter of principle," says Prof Frenkel. "But I think that by now everyone recognises that marginal changes in the economy will not do the job. Everyone recognises that we are now starting an era when one will need to see a fundamental shaking of the tree."

He cites recent moves to streamline and speed up privatisation as an example of this new mood. He also regards the recent cabinet debate over next year's budget in the same light, despite a deficit set at 6.2 per cent of gross national product. This is down on 1991 and all ministries, except defence, accepted cuts. Ministers agreed to legislate a staged elimination of the deficit. They did not raise taxes. "It was a very courageous, determined political stance," says the governor.

Prof Frenkel's overriding aim in his term of office is to oversee the deeper integration of Israel into the world economy. But, again, does not the government's political stance stand in the way?

Prof Frenkel chooses his words carefully. "We are not in a vacuum, that's for sure. . . my job is to present to the government the economic consequences of various actions and to provide recommendations based upon these economic equations. At that stage the government takes this into account and puts it into the overall equation."

Is he satisfied he will be listened to? "All I can say," he laughs, "is that I have been here three weeks and I haven't lost my voice yet."

Sununu concerned over recovery

By **Lionel Barber** in Washington

THE White House remains concerned about the slow pace of economic recovery in the US, before the presidential election next year, Mr John Sununu, President Bush's chief of staff, said yesterday.

Mr Sununu avoided earlier administration calls for lower interest rates to spur economic activity but he gently nudged Mr Alan Greenspan, chairman of the Federal Reserve, in that direction. Mr Sununu said on television: "We would like a stronger recovery. . . I think he understands that we lean a little further towards the loosening of interest rates than he has."

Last week, the Labour Department reported that the US unemployment rate remained unchanged at 6.8 per cent, with modest gains in manufacturing jobs and the length of the working week.

Mr Sununu said industrial production and manufacturing jobs were rising, and unemployment was falling – but not quickly enough. He was studiously cautious about the election prospects.

"As long as these numbers continue to move in the direction they're moving in, I think the president will be solid, going into '92. . . but we are not as sanguine about '92 as a lot of other people."

Mr Sununu's appearance on television reflects his partial rehabilitation after several weeks of embarrassing stories about his travel arrangements. Earlier this year, it was revealed that he had frequently used military aircraft to attend Republican party fund-raising events and ski trips, and had taken a chauffeur-driven ride to New York for a stamp auction.

Ontario drops plan for public car insurance

By **Bernard Simon** in Toronto

ONTARIO'S social democratic government has shelved plans for a publicly-owned car insurance scheme, under strong pressure from the business community.

The decision reverses one of the main promises of the New Democratic party before the election which brought it to power a year ago, but reflects its growing sensitivity to criticism of its economic policies.

Mr Bob Rae, Ontario premier, said the scheme was being abandoned because it would "cost too much money and too many jobs." He said the government would look for other ways to cut drivers' premiums and to expand the right of accident victims to sue.

The province's insurance industry, dominated by US and British companies, lobbied strongly against the scheme. A recent study suggested that the companies might have claimed as much as C$2bn ($1.69bn) in compensation if the authorities had taken over car insurance.

● More than 100,000 Canadian federal civil servants were to go on strike at midnight last night in protest against government plans to freeze their wages this year and limit increases to 3 per cent in each of the next two years.

Many services are likely to be affected, but essential services will to be maintained by workers forbidden by law to strike.

Support for free market likely in Argentine poll

VOTERS in 12 Argentine provinces were going to the polls yesterday to elect governors and half the lower house of Congress. They were expected to endorse resoundingly the government's free market reforms, reports John Barham in Buenos Aires.

Opinion polls suggested the ruling Peronist party would strengthen its grip on the key province of Buenos Aires, with a 10-15 per cent lead over the opposition Radical party.

The Peronists should also retain control of seven other provinces. They were expected to do well in two Radical strongholds, Córdoba and Santa Fé. Independent parties were expected to take Tucumán and Neuquén.

Turks welcome UN plan to let Iraq ship more oil through north

TURKISH officials yesterday welcomed a proposal by UN secretary-general Mr Javier Pérez de Cuéllar to let Iraq make additional oil shipments so as to meet Turkey's transportation costs for the six-month export operation approved last month by the UN security council, reports John Murray Brown in Ankara.

After the Gulf war, Turkey controls Iraq's only working oil outlet and would incur much of the cost of running the 1,000-km pipeline from Kirkuk in northern Iraq to the Mediterranean terminal of Yumurtalik.

The recommendation is part of the report on UN resolution 706, released at the weekend. It suggests Baghdad be allowed to raise up to $2.4bn (more than the $1.6bn approved in August to buy food and medicines), while making payments to a war reparation fund and other costs covered under the terms of the Gulf war ceasefire.

An earlier draft failed to mention Turkey's costs. However, in "response to requests," the UN chief recommends Iraqi oil shipments over and above the approved amount, to pay Turkey either in cash or kind.

The UN says the actual costs still have to be negotiated. Turkey has proposed $264m. This comprises a charge of $1 a barrel for the proposed six months, compared with 77 cents levied on Iraqi oil before the crisis.

Turkish officials "will not agree to anything which does not reflect the real costs." They say the charge reflects increased start costs, personnel expenses and the $50m of debt servicing on the project's foreign loans during the period.

The UN Security Council is due to start discussing the report today.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout, other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	UNITED STATES					JAPAN				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1984	96.6	99.1	96.0	98.4	97.1	97.9	100.8	97.0	99.0	100.1
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.0	99.9	77.1	100.8	95.3	101.4	104.0	125.7
1987	105.6	100.7	104.0	97.5	64.7	101.2	92.5	103.1	101.0	126.9
1988	109.9	103.2	107.0	98.4	59.9	102.2	92.3	107.8	98.0	137.4
1989	115.2	108.5	110.0	99.1	63.0	105.0	94.2	114.0	96.0	131.3
1990	121.5	113.8	114.0	99.2	56.6	108.2	95.7	120.1	100.0	116.1
3rd qtr.1990	5.5	4.9	3.3	−0.5	55.8	2.8	0.7	3.4	3.1	112.3
4th qtr.1990	6.2	6.4	3.9	0.8	52.1	3.5	2.4	5.7	3.1	120.8
1st qtr.1991	5.3	3.5	3.6	2.3	52.7	4.0	2.8	3.8	1.0	117.9
2nd qtr.1991	4.8	3.3	2.9	2.5		3.3	2.3	4.1		
August 1990	5.6	5.2	2.7	−0.5	n.a.	3.0	0.5	1.5	4.2	n.a.
September	6.2	6.0	3.6	−0.3	n.a.	2.8	1.1	4.5	4.1	n.a.
October	6.3	6.5	4.5	−1.2	n.a.	3.1	2.0	4.9	2.1	n.a.
November	6.3	7.0	3.6	0.8	n.a.	3.9	2.5	5.5	3.1	n.a.
December	6.1	5.7	3.6	2.6	n.a.	3.7	2.5	6.0	1.0	n.a.
January 1991	5.7	4.0	4.5	1.8	n.a.	4.3	2.8	1.9	0.0	n.a.
February	5.3	3.4	3.6	2.6	n.a.	3.8	2.8	5.4	1.0	n.a.
March	4.9	3.2	2.7	2.6	n.a.	3.7	2.6	4.1	3.0	n.a.
April	4.9	3.2	2.7	2.4	n.a.	3.3	2.4	4.0	3.0	n.a.
May	5.0	3.4	3.5	2.5	n.a.	3.1	2.4	4.0	2.0	n.a.
June	4.7	3.5	2.6	2.7	n.a.	3.5	2.2	4.3		n.a.
July	4.4	2.9	3.5	2.6	n.a.	3.7				n.a.

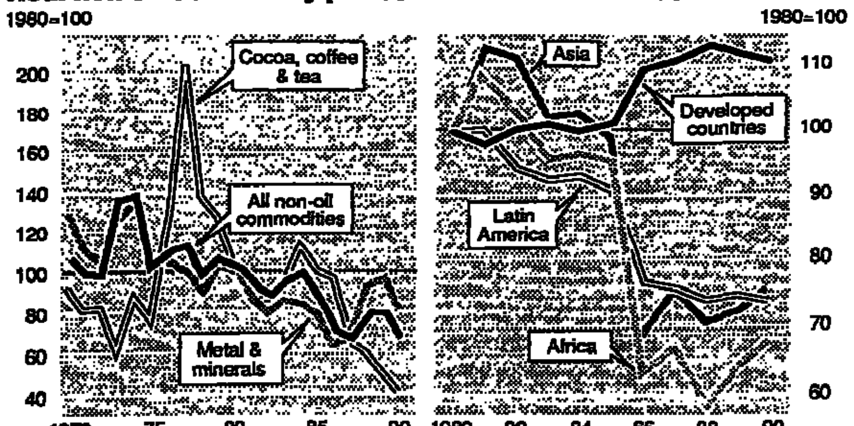
	GERMANY					FRANCE				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1984	97.9	97.6	96.0	100.0	98.7	94.5	95.8	94.4	95.5	114.1
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	104.0	104.0	111.3	102.5	97.2	104.5	101.5	101.9
1987	100.1	95.1	108.0	107.0	126.0	105.9	97.8	107.8	103.8	102.1
1988	101.4	96.2	113.0	107.0	126.2	108.6	102.8	111.1	104.3	99.3
1989	104.2	99.3	117.0	108.0	122.6	112.6	108.4	115.4	106.5	95.6
1990	107.0	101.0	124.0	111.0	126.8	116.4	107.1	120.6		100.8
3rd qtr.1990	2.7	1.8	n.a.	1.9	124.8	3.4	−1.4	n.a.		100.3
4th qtr.1990	3.0	1.8	n.a.	3.1	124.7	3.6	0.7	n.a.		102.7
1st qtr.1991	2.7	2.1	n.a.	2.4	124.3	3.4	0.7	n.a.		101.9
2nd qtr.1991	3.1	2.2	n.a.			3.2	−0.6	n.a.		
August 1990	2.8	1.9	–	1.9	n.a.	3.5	n.a.	–	n.a.	n.a.
September	3.0	2.1	–	1.8	n.a.	3.8	n.a.	–	n.a.	n.a.
October	3.3	2.0	5.9	1.9	n.a.	3.9	n.a.	4.6	n.a.	n.a.
November	3.0	1.8	–	3.7	n.a.	3.6	n.a.	–	n.a.	n.a.
December	2.8	1.5	–	3.7	n.a.	3.4	n.a.	–	n.a.	n.a.
January 1991	2.8	2.3	6.7	1.8	n.a.	3.5	n.a.	4.6	n.a.	n.a.
February	2.7	2.2	–	2.7	n.a.	3.5	n.a.	–	n.a.	n.a.
March	2.5	1.8	–	2.8	n.a.	3.2	n.a.	–	n.a.	n.a.
April	2.8	2.2	6.5	0.9	n.a.	3.2	n.a.		n.a.	n.a.
May	3.0	2.2		4.4	n.a.	3.2	n.a.		n.a.	n.a.
June	3.5	2.3			n.a.	3.3	n.a.		n.a.	n.a.
July	4.4	3.3			n.a.	3.4	n.a.		n.a.	n.a.

	ITALY					UNITED KINGDOM				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1984	92.1	92.8	89.9	91.8	98.7	94.3	95.0	91.7	94.3	97.5
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.6	101.4	103.4	104.3	107.7	104.5	92.9
1987	111.0	103.2	111.6	105.6	102.5	107.7	108.3	116.3	105.9	90.6
1988	116.5	108.8	118.4	109.7	101.9	113.0	113.2	126.2	108.9	96.8
1989	124.2	113.1	125.6	112.2	109.2	121.8	119.0	137.2	113.5	95.0
1990	131.8	117.8	134.7		117.1	133.3	126.0	150.1	123.7	98.4
3rd qtr.1990	6.1	4.1	7.3		118.1	10.4	6.0	9.7	9.2	102.9
4th qtr.1990	6.3	3.9	7.2		119.5	10.0	5.9	9.6	11.2	105.3
1st qtr.1991	6.6	4.2	7.9		118.3	8.7	6.3	8.9	11.0	107.2
2nd qtr.1991	6.8					6.0	6.0	8.5	10.8	
August 1990	6.3	4.2	7.4	n.a.	n.a.	10.6	6.0	9.7	9.5	n.a.
September	6.3	4.5	7.2	n.a.	n.a.	10.9	5.8	9.8	9.8	n.a.
October	6.2	4.2	7.2	n.a.	n.a.	10.9	5.9	9.2	10.2	n.a.
November	6.5	4.0	7.4	n.a.	n.a.	9.7	5.9	9.6	11.5	n.a.
December	6.3	3.8	7.1	n.a.	n.a.	9.3	5.9	9.9	11.7	n.a.
January 1991	6.5	4.2	7.8	n.a.	n.a.	9.0	6.3	9.5	10.8	n.a.
February	6.7	4.2	7.8	n.a.	n.a.	8.9	6.3	9.1	11.7	n.a.
March	6.8	4.2	8.0	n.a.	n.a.	8.2	6.3	8.0	10.4	n.a.
April	6.7			n.a.	n.a.	6.4	6.2	9.2	12.5	n.a.
May	6.8			n.a.	n.a.	5.8	6.0	8.3	10.8	n.a.
June	6.8			n.a.	n.a.	5.8	5.8	7.9	9.1	n.a.
July	6.7			n.a.	n.a.	5.5	5.9			n.a.

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: IMF real effective exchange rate based on relative unit labour costs (non-normalised). A fall in the index indicates improved international competitiveness.

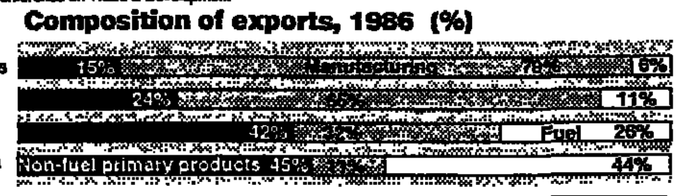
Real non-oil commodity prices 1980=100

Terms of trade 1980=100



Source: United Nations Conference on Trade & Development

Composition of exports, 1986 (%)



Source: World Bank

Commodity prices and development in the 1980s

FOR THE developed world, the past decade brought relative economic stability and increased prosperity. Yet the 1980s are remembered in much of Africa and Latin America as "the lost decade", a period of economic stagnation and falling real incomes. Why was the 1980s experience so different for the industrialised and non-industrialised countries?

At the heart of the problem is debt. Many developing countries struggled to service heavy debt burdens, accumulated in the 1970s, in the face of rising real interest rates. But their difficulties have been compounded by a steady fall in world commodity prices.

Real non-oil commodity prices have fallen steadily over the past 20 years, as the left-hand chart shows. In 1973-90, the index of real non-oil commodities fell by almost 40 per cent. The sharpest falls have been in the prices of tropical beverages: cocoa, coffee and tea. World market prices for coffee, cocoa and tea have fallen at an average annual rate of 11 per cent since 1982. The international price-fixing agreements for cocoa and coffee have both collapsed, and coffee prices reached a 15-year low in 1990.

Improved production technologies in developing countries, and protection and farm subsidies in developed countries, have all contributed to the overproduction which has depressed agricultural prices.

Meanwhile the decline in the importance of heavy engineering in the industrialised countries, and innovations such as the switch from metal to plastic packaging, have reduced their demand for commodities such as tin and other metals and minerals, offset in part by rising demand in Asia. Metal and mineral prices are also influenced by the state of demand in the industrialised countries. Mr Christopher Gilbert of the University of London has estimated that a one percentage point rise in industrial country production raises non-oil commodity prices by 2 per cent in real terms.

The developed countries dominate world trade in non-oil commodities only marginally less than trade in manufactures, accounting for 88 per cent of world manufacturing exports and 70 per cent of non-fuel primary commodity exports.

Even so, the low rates of industrialisation in the less developed countries of Latin America and Africa mean that these regions are far more dependent on commodity exports to earn the foreign exchange they need to pay for imports and to service their debts, and more vulnerable to falling commodity prices.

In 1986, manufacturing exports made up 79 per cent of the total exports of the developed countries and 65 per cent of total exports in Asia, but only 11 per cent in Africa, as the bar chart shows. Non-fuel primary commodity exports accounted for 42 per cent of total Latin American exports and 45 per cent of total sub-Saharan Africa exports.

The fall in the value of developing country exports has brought about a deterioration in the terms of trade of developing countries in Asia, Latin America and particularly Africa, as the right-hand chart shows. Terms of trade are one measure of the purchasing power of a country's or a region's exports. It is defined as the average value of a unit of exports divided by the average value of a unit of the goods the country or region imports. The fall in the purchasing power of developing country exports has made the burden of debt service more severe.

The terms of trade have deteriorated, but the growth in the volume of trade in primary commodities has been sluggish too. The real value of total world trade grew by an average 4.3 per cent per year in the 1980s, but trade in commodities grew by only 1.7 per cent.

Africa has been hit hardest by the fall in commodity prices, particularly for tropical drinks. In 48 of the 55 countries on the African continent, the three leading commodity exports accounted for more than half of total exports. Still, Africa's plight cannot be blamed entirely on lower prices and sluggish trade growth. The problem has been compounded by a loss of market share for products such as cocoa, coffee and ground-nut oil. Sub-Saharan Africa's share in world exports of cocoa, for example, fell from 59.7 per cent in 1969-71 to 37.2 per cent in 1987-89.

Edward Balls

Township slaying will sour signing of peace agreement

S African gunmen kill 18

By Our Foreign Staff

UNIDENTIFIED gunmen fired on supporters of the Inkatha Freedom party, led by Chief Mangosuthu Buthelezi, as they marched through a South African township yesterday, killing 18 and injuring 14.

Police said they did not know who was responsible for the attack in Tokoza. But the township, 12 miles south-east of Johannesburg, has seen repeated fighting between Inkatha and the rival African National Congress.

The attack comes six days before the ANC, Inkatha and the government are to sign a peace agreement aimed at stopping township violence. Although the incident will sour the atmosphere at the signing, it is unlikely to derail it.

Police said initial reports indicated the gunmen fired from a house as hundreds of armed Inkatha supporters marched down a main road in the township toward a stadium for a rally.

Mrs Gertrude Mzizi, an Inkatha official, said she was driving to the rally with her husband when she saw a man come out of a house with an AK-47 assault rifle and a whistle.

"As he blew the whistle, other men came from other houses and they also had rifles... then they started shooting," she said.

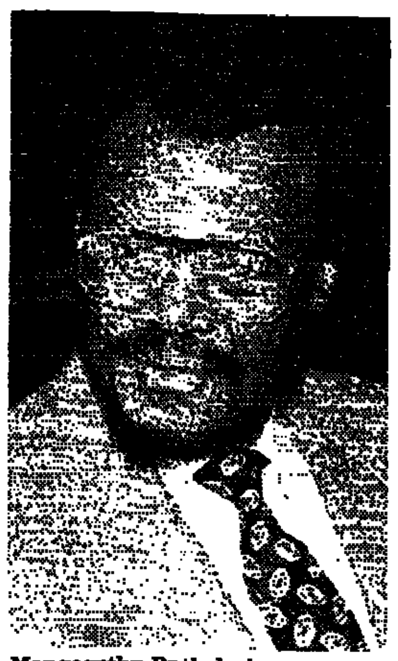
Dozens of armoured police and army vehicles patrolled the area to prevent further clashes. The security forces also escorted hundreds of Inkatha members back to their residences at a migrant workers hostel.

Many Inkatha supporters, virtually all Zulu, were carrying sticks, whips and other weapons as they returned to the hostel. Some vowed revenge against their attackers. Houses on the road where the shooting occurred were deserted *as residents fled the area for fear* of an attack.

More than 6,000 have been killed as the ANC and Inkatha, the country's two largest black political groups, have waged virtual warfare since 1986. The fighting spread a year ago from the eastern province of Natal to the townships around Johannesburg. Some of the worst battles have been in Tokoza.

Until yesterday's incident, however, the level of recent violence in rand townships had fallen sharply.

Many residents in Tokoza and the adjacent Phola Park squatter camp support the ANC, while the huge hostel complex houses thousands of Zulu supporters of Inkatha.



Mangosuthu Buthelezi

Vietnamese China visit presages summit

VIETNAMESE foreign minister Nguyen Manh Cam was due to arrive in China yesterday, the highest-level official to visit since the two countries fought a brief war in 1979, Reuter reports from Beijing.

Cam, in an unusual symbolic gesture, is travelling by land through the "friendship pass" on the border before flying into Beijing today, according to the Vietnamese embassy.

Both sides, strongholds of communist ideology since last month's collapse of Communist party rule in the Soviet Union, have made it clear the visit is an important step in normalising relations.

Political sources in Hanoi and diplomats in Beijing said the visit was a prelude to a summit between Vietnamese Communist party chief Do Muoi and his Chinese counterpart, Jiang Zemin, probably in October or November.

Relations between China and Vietnam were badly damaged by Vietnam's invasion of Cambodia in 1978 and the toppling from power of the Beijing-backed Khmer Rouge in early 1979, the same year China and Vietnam fought a brief border war.

Indian industry seeks powers to cut workforce

By David Housego in New Delhi

INDIAN industry called yesterday on the government to allow companies to improve efficiency by speeding up cuts in labour forces.

Mr V.L. Dutt, newly elected chairman of the Federation of Indian Chambers of Commerce and Industry (FICCI), said the government should amend labour laws so that industry could retrench about 5 per cent of its labour force annually "without going through the proper legal and labour procedures". FICCI is one of two main employer associations in the country.

The World Bank has identified overmanning in industry as one of the most serious obstacles to greater competitiveness; a recent bank report said the public sector had a surplus workforce of 250,000 to 300,000 people.

The government – which announced a new industrial deregulation policy two months ago – is hesitant to draw up an "exit" policy for industry, fearing it could provoke union anger. Although the unions' response to the industrial liberalisation measures has so far been muted, officials fear rising inflation and redundancies could trigger a backlash.

According to figures released yesterday, the year-on-year inflation rate – as measured by the wholesale price index – rose to 15.2 per cent in the week ending August 24, more than double the rate of the previous year.

Reflecting the new competitive pressures that industry feels are being imposed on it, Mr Dutt said companies should have freedom to close units when they were non-profitable.

The government does not want to move in this direction until a welfare safety net has been established for employees. Dr Manmohan Singh, finance minister, said in his budget that the government proposed establishing a fund to finance early retirement, to which industry would be asked to contribute.

Mr Dutt also said the government should either privatise the nationalised banks or open the banking system to the private sector.

Bank employee associations are strongly resisting such privatisation.

Investment incentives set to stimulate capital projects

By Philip Gawith in Johannesburg

THE South African government has announced a package of investment incentives which are likely to result in several big capital projects being given the go-ahead.

The incentives, aimed at encouraging exports of more highly refined mineral products, offer accelerated tax write-offs for capital expenditure.

They will reduce start-up costs of large projects and provide assistance in early years.

The announcement will probably lead to the go-ahead for the R3bn (£652m) Columbus stainless steel project, a joint venture between Highveld Steel and Samancor, respectively controlled by Anglo American and Gencor, the country's two largest mining houses.

The plant's initial capacity would be 300,000 tonnes a year, rising to 400,000.

Mr Dawie de Villiers, minister of economic affairs and co-ordination, said the short-term measures had a maximum qualifying period of two years.

The main benefit allows depreciation of the cost of machinery and plant from the year when the expenses were incurred, rather than when production started. The existing rate of 20 per cent over five years still applies.

Other benefits include depreciation of the annual allowance of 5 per cent of the construction costs of qualifying buildings, and the deduction of pre-production interest on qualifying assets, both in the year expenses are incurred.

To qualify a project must be internationally competitive and add at least 200 per cent value to the base mineral or intermediate project processed, with at least 60 per cent of the value of the intermediate or final product being exported.

Another possible project whose go-ahead depends on incentives such as those announced is a plan by Alusaf, the aluminium producer, to build a R3.5bn aluminium smelter.

Order 'returning' to Mogadishu

MANY civilians have been killed or wounded in three days of fighting in Mogadishu, the Somali capital, Mogadishu radio said yesterday, but order was being restored, Reuter reports from Nairobi.

The radio blamed the violence on "irresponsible elements" and denied there had been fighting between rival groups in the United Somali Congress (USC) which controls Mogadishu.

Diplomats and aid workers in Nairobi had reported heavy fighting in Mogadishu and said the limited hospital facilities there were trying to cope with large numbers of casualties.

Aid workers flying out of Mogadishu reported an apparent conflict between the USC leader, Mr Ali Mahdi Mohamed, recently appointed interim president of Somalia, and his army chief, General Mohamed Farah Aideed.

Colonel Umar Hashi Adan, regional commander of the Mogadishu area, called for a ceasefire and told local elders and community leaders to co-operate in restoring calm.

The weekend radio broadcast referred to a "security crisis" in Mogadishu in which many innocent people had been killed or wounded and houses and other property destroyed. It said the security forces would now take immediate action to enforce a ceasefire.

NEWS IN BRIEF

Polish MPs delay vote on special powers

POLAND'S communist-dominated parliament decided at the weekend to delay voting on a request by the Solidarity government for temporary special powers to issue economic decrees with the force of law, Reuter reports from Warsaw.

Mr Jan Krzysztof Bielecki, prime minister, made the request on Friday to try to overcome a logjam holding up reform legislation and a stalemate in government efforts to introduce big budget spending cuts in the face of a recession.

The vote will be postponed for a least a week while a commission considers the request.

Earlier the bill narrowly survived a proposal by a peasants' hardline group in the lower house, or Sejm, to have it thrown out altogether.

The planned reduction in budget spending has been fiercely criticised by opposition deputies in the Sejm. During the debate on the cuts last week, an ex-communist group tried to unseat the government ahead of a parliamentary poll in October.

Optimism over W German orders

Manufacturing orders in west Germany slipped 0.5 per cent in July from the previous month, despite a 3.5 per cent rise in foreign orders, David Goodhart writes from Bonn.

The Economics Ministry welcomed the increase in foreign orders and suggested west German industry might be recovering its old exporting strength.

The orders figure for June and July is 2.5 per cent above the April and May figure and 4.4 per cent above the same two months of last year.

Aquino appeal on military bases

President Corazon Aquino, battling to keep US troops in the Philippines, appealed to the Senate yesterday to ratify a military bases treaty with Washington, but a move to reject the pact gained ground, Reuter reports from Manila.

Senators who have threatened to kill the accord said the cold war was finished and it was time forces withdrew from the former US colony.

Communist rebels, fighting against the US presence for the past 22 years, offered a truce if the senators rejected the treaty.

The anti-bases faction in the 23-member Senate gained ground yesterday, picking up a ninth senator to sign a joint resolution calling the treaty a "one-sided, unequal agreement" and urging its rejection.

The Senate must ratify the treaty with a two-thirds majority by September 16, when the present agreement expires. Only eight votes are needed to sink the accord signed by the two allies last month.

Bush lines up new advisers

Mr David Bradford, an economics professor from Princeton University, and Mr Paul Wonnacott, a former economic adviser at the State Department who teaches at the University of Maryland, have been named as prospective nominees to President George Bush's Council of Economic Advisers, Lionel Barber reports from Washington.

The two professors will succeed Mr Richard Schmalensee and Mr John Taylor.

Brooke to press for more talks on Ulster

By Ralph Atkins

MR PETER BROOKE, Northern Ireland secretary, has embarked on the laborions task of reviving talks on the province's political future by calling for consultations with local political leaders.

In spite of the proximity of the general election and Unionist preconditions which have, if anything, hardened over the summer, Mr Brooke believes a fresh round of "talks about talks" would be constructive.

He will seek the views of the government of the Irish Republic at a meeting of the Ango-Irish Conference in Belfast this week.

Meetings with Unionists and the nationalist Social Democratic and Labour party are expected to be arranged soon afterwards.

In July the first round-table talks for 15 years between leaders of nationalist and Unionist parties on the governance of the province ended without conclusion when a pre-arranged 10-week gap in Anglo-Irish conference meetings expired.

The setback undermined hopes that a solution to Northern Ireland's decades of political intransigence could be found at the negotiating table. Mr Brooke had spent 14 months carefully preparing the rules for those meetings.

Speaking on BBC Radio, Mr Brooke emphasised the community pressure for negotiations to restart and the lack of recrimination following July's setback. He would seek discussions with the political leaders in a "low-key and relaxed way".

Unionists have not ruled out participating in fresh talks. But the Rev Ian Paisley, leader of the Democratic Unionist party, has increased demands over the 1985 Anglo-Irish agreement, under which the regular inter-governmental conference meetings are held.

Mr James Molyneaux, leader of the Ulster Unionist party, said at the weekend the Anglo-Irish Agreement was, like Lenin's tomb, an obscene relic of less enlightened times.

IoD reports surge in business confidence

By Edward Balls

FURTHER evidence that British business leaders believe the worst of the recession is over is published today in the lastest Institute of Directors' bi-monthly survey.

The survey suggests that the level of business confidence is higher than at any time in the past two years, with the exception of a short-lived surge following the end of the Gulf war.

Business is still tough, however. Nearly half of respondents say business volume is down compared with six months ago, and less than a quarter say volumes are rising.

"Business performance is still flat for many companies but directors, the decision makers, can see the blanket of recession is beginning to lift," said Mr Peter Morgan, IoD director-general.

The same number of directors are more optimistic as are less optimistic about the prospects for the economy, an improvement on the last survey. The proportion of respondents more optimistic about prospects for their own company is also higher.

"Inflation is being defeated. Interest rates are coming down and the economy can be expected to show signs of recovery in the final quarter of this year," Mr Morgan said.

Out of the gloom: "directors, the decision makers, can see the blanket of recession beginning to lift", says Peter Morgan

Yet there is little tangible evidence that a recovery in spending is under way. Mr Morgan hopes 10 per cent interest rates will be a key psychological point at which consumer spending resumes, demand increases, and the recovery begins. The IoD said the continued fall in inflation would justify another half-point cut in interest rates next month.

The survey is based on a random telephone poll of 320 directors in the first two weeks of August. It asks questions similar to those in the quarterly Confederation of British Industry Industrial Trends Survey, but is smaller and less systematic.

Yet it does offer some clues about the possible nature of the recovery. Businesses are significantly more optimistic in the north of England than in the Midlands or the south. In the north, 70 per cent of respondents claim their company is performing either very well or fairly well, against 60 per cent in the UK as a whole.

The survey also suggests the service sector may lead the recovery just as it led the economy into recession. Businesses are more optimistic in the personal and business service sectors than in manufacturing.

Bi-Monthly Business Opinion Survey. IoD, Mountbarrow House, Elizabeth Street, London SW1W 9RB. £15.

Post Office may join TNT global express service

By Roland Rudd

THE Post Office is considering joining the joint venture between five state-owned postal administrations and TNT, the Australian transport group, to supply a worldwide express service.

When the joint venture was announced in July, analysts assumed that the UK Post Office had been barred by the government from joining the venture, which is 50 per cent owned by the state-owned postal administrations.

However, Sir Bryan Nicholson, chairman of the UK Post Office, yesterday told the Financial Times that he thought it could be in the interests of his organisation to join if it were shown that the venture was financially practical and would improve the express services available.

He said he could see no reason for the government to object.

"There is no doubt that there is a very strong case for having closer links with other national post offices to provide a high quality of service to individual customers," he added.

"There is also no doubt that TNT has an effective worldwide network which the other post offices wanted access to."

The new venture will combine the post offices' international express operations with those of TNT Express Worldwide, a subsidiary of TNT.

Sir Bryan said that since the UK Post Office was a national public-sector body it would have to justify to the government a decision to join the new venture. He added that he could see no reason why ministers would object to a recommendation to join the venture.

Five post offices from Germany, France, the Netherlands, Sweden and Canada have formed a new group, GD Net, to take a 50 per cent stake in the venture. The other 50 per cent will be held by TNT.

GD Net's structure allows for the participation of other postal administrations. The new company will be autonomous and managed independently of both shareholders.

Sir Bryan has recently had a series of meetings with the chairman of the five post offices involved in the new organisation, which will have about 20 per cent of the international express market.

UK COMMERCIAL VEHICLE REGISTRATIONS JANUARY-AUGUST 1991

	Volume (Units)	Volume Change (%)	Share (%) Jan-Aug 91	Share (%) Jan-Aug 90
Total Market*	151,107	−30.3	100.0	100.0
Imports	53,787	−36.2	35.6	38.9
Small vans (up to 1.8 tonnes)				
Total	48,455	−32.1	100.0	100.0
Imports	8,618	−47.9	17.8	23.2
Ford	21,343	−11.1	44.1	33.62
Vauxhall (GM)	13,524	−35.9	27.9	29.6
Rover	5,540	−52.6	11.4	16.4
Peugeot (incl. Citroen)	2,607	−47.3	5.4	6.9
Renault	1,873	−41.8	3.9	4.5
Medium Vans (1.81 – 3.5 tonnes)				
Total	67,032	−28.9	100.0	100.0
Imports	27,908	−35.2	41.6	45.7
Ford	29,656	−33.5	44.2	47.3
Leyland DAF (DAF)	9,161	−11.1	13.7	10.9
Renault	3,818	−40.7	5.7	6.8
Peugeot (incl. Citroën & Talbot)	3,792	−30.1	5.7	5.8
Mercedes-Benz	3,717	−27.0	5.6	5.4
Vauxhall (GM)	3,310	−32.6	4.9	5.2
Nissan	2,826	−31.3	4.2	4.4
Trucks (over 3.5 tonnes)				
Total	21,944	−37.8	100.0	100.0
Imports	8,781	−39.0	40.1	40.8
Iveco group**	5,378	−42.2	24.5	26.4
Leyland DAF (DAF)	5,143	−34.8	23.4	22.4
Mercedes-Benz	3,487	−40.4	15.9	16.6
Volvo	2,135	−35.8	9.7	9.4
Renault (RTI)	1,324	−36.8	6.0	5.9
Of which Heavy Trucks (over 15 tonnes)				
Total	10,658	−40.9	100.0	100.0
Leyland DAF (DAF)	2,486	−39.0	23.3	22.6
Volvo	1,833	−36.4	17.2	16.0
Iveco group**	1,470	−51.6	13.8	16.8
Mercedes-Benz	1,161	−49.5	10.9	12.8
Scania	1,153	−27.7	10.8	8.8
ERF	1,020	−39.1	9.6	9.3

*includes buses and light four wheel drive utility vehicles.
**includes Iveco Ford and Seddon Atkinson.
Source: Society of Motor Manufacturers and Traders and industry estimates.

Truck demand down sharply in August

By Kevin Done, Motor Industry Correspondent

SALES of new commercial vehicles fell by 29.2 per cent in August compared with a year earlier to 28,946, according to figures from the Society of Motor Manufacturers and Traders.

The decline was led by a further steep drop in truck demand. Sales in the first eight months at 151,107 were 30.3 per cent lower than in the corresponding period a year ago.

Mr David Gill, truck marketing and sales managing director for Leyland DAF, the UK subsidiary of DAF of the Netherlands, said yesterday the rate of decline and the depth of the recession in the UK commercial vehicles market was unprecedented since 1945.

He said the present recession was biting much deeper than the last recession – in the early 1980s.

He forecast that truck sales (above 3.5 tonnes) would fall as low as 32,000 this year, a drop of a third from the 48,000 achieved last year and less than half the 1989 sales level of 69,000.

There was no sign of any respite in August as truck sales fell by 35.7 per cent to 3,819. In the first eight months truck sales have plunged by 37.8 per cent to 21,944.

Sales were 55.6 per cent lower than in the same period two years ago.

Mr Gill said it was "highly unlikely" that truck registrations would show any significant recovery before the end of the year.

He did not expect market conditions to worsen further in the final months of the year, however, and forecast that sales could begin to recover to a level of 37,000-43,000 in 1992.

In the past three months Leyland DAF had experienced a "modest" increase in new orders, and he said some truck rental companies had started ordering again for the first time for two years.

In addition a substantial part of the UK truck fleet was more than three years old and would need replacing soon.

● DAF is closing its international marketing and sales office in Salford, near Manchester with the loss of about 115 jobs.

The office, which was established only two years ago, is being transferred to the company's Netherlands headquarters in Eindhoven, where about 80 jobs will be created.

The move is part of DAF's drive to cut costs and streamline its organisation in the face of heavy losses.

Business rents show record fall

By Vanessa Houlder, Property Correspondent

COMMERCIAL property rents are falling by a record 10 per cent a year, although the decline may now be over, according to Hillier Parker, chartered surveyors.

In the three months to August the decline in rents gathered pace, reaching 4.5 per cent. This reflects the the recession and the surplus of commercial property erected in the building boom of the past few years.

Hillier Parker said, however, that rents of shops and City of London offices appeared to be close to their turning points.

By far the largest decline has been in the office sector, which has a particularly large oversupply of space. Office rents fell 7.9 per cent in the past quarter and 18.8 per cent in the year to August.

The largest falls in rents have been registered in the Central London office market, which has a vacancy rate of 18 per cent. The City fringe was the worst-performing market, with a fall of 32 per cent.

The best performing sector was shops, where rents fell 2.1 per cent over the year. Rents fell 1.4 per cent over the quarter, compared with the previous quarter's fall of 0.3 per cent.

FT SATELLITE MONITOR

BSkyB dishes likely to top 2m this year

By Raymond Snoddy

BRITISH Sky Broadcasting is on target to have more than 2m satellite dishes receiving its programmes by the end of this year, following a strong performance last month.

According to the FT Satellite Monitor, 62,000 dishes were installed in August in spite of the recession and the fact that television equipment sales are traditionally slow in summer.

The monitor's August figure, based on interviews with more than 5,000 adults, matches BSkyB's internal sales figures. More than 180,000 satellite dishes have been installed since June, giving a total of 1.74m, according to the monitor. This does not include those who watch satellite channels on cable TV networks.

Mr John Clemens, chairman of Continental Research, which produces the FT monitor, said his forecast of 2.2m dishes by the end of December was a difficult but possible target.

He said: "If BSkyB and the retail trade promote as heavily as might be expected, then this could happen – and a figure of 2m by Christmas seems almost certain."

BSkyB, a consortium in which Pearson, publisher of the Financial Times, has a significant stake, will launch an autumn marketing campaign this week.

Intentions to install satellite dishes remain low, and only 198,000 householders say they will definitely install, with a further 1.69m saying they will probably do so – significantly fewer than in May.

The main decline came among 45 to 65-year-olds, with under-45s showing a small increase in intentions to install. Satellite television is particularly strong in homes with children. Of the 7m such homes in Britain 733,000 – 10.5 per cent – have dishes.

Mr Clemens said: "This means that channels like Children's Channel, Sky One and MTV, all of which cater for the interests of children and young people, can now reach very substantial child audiences."

Scotland and the north of England have emerged as the strongest regions for satellite television. In Scotland 22 per cent of householders have a dish or say they will probably install one. In the north of England the percentage is 18.5.

Computers for tour information

By Alan Cane

ICELAND, home of hot springs and spectacular waterfalls, will soon be the land of the touch-screen tourist, thanks to a collaboration between the Icelandic Tourist Board (ITB) and AppleCentre Glasgow, Scotland's largest Apple computer dealer.

The ITB and AppleCentre have established a joint venture company, Iceland Info, in co-operation with an Icelandic software house, Fjarhonnun (Distant Design), to develop and install computerised travel monitors throughout Iceland.

About £600,000 has been invested in the project. Tourism represents 14 per cent of the Icelandic economy.

The monitors will make it simpler for tourists to gain information about Iceland, and for the ITB to gain information about tourists' preferences.

The travel monitors, in locations such as Keflavik Airport near Reyjavik, ferry terminals and tourist information centres, bring together video images, text, sound and music on a computer screen to give tourists a taste of Icelandic scenery and history. Tourists will be able to select their choice of programme by touching the monitor screen.

West Midlands transport operator will limit cash balances

By Paul Cheeseright, Midlands Correspondent

CENTRO, the operating arm of the West Midlands Passenger Transport Authority is to restrict its cash balances to £500,000. Any funds above £500,000 will be managed for Centro – which stands to lose more than £2.5m in the Bank of Credit and Commerce International *débâcle* – by Coventry City Council, the lead council on the authority.

That is one of a series of steps taken at Centro after the Bank of England closed BCCI on July 5. Only 4½ hours before the closure Centro deposited £1m with BCCI. This deposit was one of three totalling £2,550,361.29 which were frozen by the action of the Bank of England.

The immediate reaction of Mr Bob Tarr, Centro director-general, was to obtain reports from Mr Phil Evans, director of finance, and from Mr Brian Moore, the internal audit manager, on what went wrong and what needed to be done to prevent a repetition.

Mr Tarr later asked KPMG Peat Marwick McLintock, the external auditor, to look at Centro's procedures for depositing funds not needed for immediate use.

The results of these inquiries have been published with an umbrella report by Mr Tarr as background documents for a meeting of the authority's policy, resources and external relations committee.

They do not show any evidence of impropriety in Centro. But they do throw a spotlight on the money management of a typical small authority. The Tarr report said many local authorities and other public bodies "have operated similar systems".

Peat Marwick found that Centro's internal guidelines on where its officers could deposit money were "too wide" and observed that "there was no investment strategy which clarified the objectives in terms of the level of risk permitted in depositing surplus monies".

For Centro, as for all public authorities under pressure to maximise income, the deposit of surplus cash represented a significant extra source of income.

Such investments raised £3.2m for Centro in the 1990-91 financial year. If Centro had a surplus of less than £0.5m, it would place it with Midland Bank. If it had more, it would place it with other institutions through a broker.

Those institutions, according to the internal guidelines, were "very safe bodies such as local authorities, nationalised industries, clearing banks, Bank of England licensed deposit-takers including foreign banks, building societies and very large public companies".

Like other authorities, Centro drew comfort from the fact that BCCI was on the Bank of England list of licensed deposit-takers, and hence fitted into the internal guidelines.

Mr Evans had the right of veto over where deposits could be placed and received weekly reports on what was happening to short-term deposits.

He had used the veto to stop deposits with Liverpool City Council and Lambeth Borough Council in London. But, Mr Tarr says in his report, no one in Centro picked up "doubts and rumours" about BCCI.

The day on which BCCI was closed, Centro had £7.3m on deposit at seven financial institutions. Decisions on placing its funds depended on what was on offer from London money-brokers.

It could have placed all its surplus at Midland Bank for onward investment in the money market at no risk. But on Friday July 12, according to the Moore report, Midland's 3-day rate for a £1m deposit was 10.625 per cent.

The best rate available from a broker was 11.0 per cent. The difference in return projected over one year would be £3.75m.

The difference in rates encapsulates the dilemma of balancing risk against reward that Peat Marwick thought Centro had not fully clarified.

Mr Tarr implicitly agreed. "The pressure to achieve maximum income to help the overall financial situation may have tended to increase the propensity to use the secondary banking sector and for this objective to take preference over absolute safety, especially as (wrongly, as is now evident) no licensed deposit taker was perceived as 'risky'," his report said.

Banks plan new code of conduct for customers

By Robert Peston

BRITAIN's banks and building societies plan to offer customers greater protection against misuse of plastic cards and introduce restrictions on the marketing of financial services, according to a new code of conduct which they hope to introduce by the end of the year.

The institutions have been working on the code for two years. The first version, published last December, was dropped after criticism from consumer groups, which complained the banks were codifying existing practices.

Banks and building societies – home loans and savings institutions – have responded to two of the consumer groups' three main criticisms. They have agreed to take on responsibility for proving fraud or gross negligence in the use of a plastic card. At the moment, if a cardholder is debited for using a plastic card but claims that he or she never used the card, the cardholder has to furnish proof.

If the new code is accepted, the burden of proof will rest with the banks.

A second important amendment requires the institutions to ask for its customers' permission before offering them products marketed by a different subsidiary. Many banks, for example, own life insurance companies and have been trying to sell pension products and life policies to customers.

They will have to seek their customers' permission before passing on details of accounts to the insurance subsidiary.

Banks have resisted this change because they fear the paperwork will be very costly. Concern at increased overheads has also discouraged the institutions from introducing a third reform, which would have meant customers were notified in advance before bank charges were debited from their accounts.

Banks say the cost of changing their computer systems to enable them to give this advance notification would be much more than £50m. But they are promising to give all customers a fuller break down of banking charges.

A draft version of new the code is being discussed by the Treasury, the Bank of England and consumer groups. Their views will be considered by a committee headed by Sir George Blunden, former deputy governor of the Bank of England, which will decide if the code is acceptable. The government has warned the banks that if their code is not acceptable, it will impose one.

LT executives reject new proposals on competition

TOP executives at London Transport (LT) have rejected government plans for the privatisation and deregulation of London's buses, writes Richard Tomkins.

They are furious over the government's decision to strip London Transport, the metropolitan bus network, of all responsibility for the capital's bus services and hand it over to a new body called the London Bus Executive.

The government's plans for the deregulation of London's buses were set out in a consultation paper last March. The paper proposed London Transport's bus operations should be privatised and any other operators should be allowed to compete against them.

The paper also proposed a central body should remain to organise unprofitable but necessary services, publish route timetables and administer the Travelcard through-ticketing scheme.

London Transport's executives, who are appointed by the government, rejected the proposals published in July because they said the central administrative functions for bus transport should go to newly-created and government funded London Bus Executive.

Railway company faces sweeping management changes

By Richard Tomkins, Transport Correspondent

BREL, one of Europe's biggest manufacturers of railway rolling stock, faces sweeping management changes and cuts in its workforce following the removal of its chief executive last week.

The majority shareholders are insisting on the measures to rescue the company from a deepening crisis caused by repeated failures in its most important railway train product.

Brel, formerly the train-making division of British Rail (BR), employs more than 7,000 people at its workshops in Derby, Crewe and York.

It was privatised in April 1989 when it was bought out by a management-employee consortium with backing from Asea Brown Boveri (ABB), the Swiss-Swedish engineering group, and Trafalgar House, the British construction group.

Although ABB and Trafalgar House between them hold 80 per cent of Brel's shares, they have up till now left the running of the company in the hands of the management team which led the buy-out.

However, they have now asserted direct control of the company because of the mounting losses and adverse publicity arising from defects in the class 158 express train supplied by Brel to BR's Regional Railways.

Already gone are Mr Peter Holdstock, the chief executive who led the 1989 buy-out, and Mr Chris Cook, director of Brel's new construction group.

Mr Bo Sodersten, a former Asea executive, has been installed as new chief executive and other managers have been seconded temporarily by ABB and Trafalgar House.

Mr Allan Gormly, Trafalgar House's representative on Brel's board, said more changes would come. "We will be looking at further transfers and boosting the quality of the management team," he said.

Mr Gormly also indicated that further job cuts could follow the 1,650 redundancies already announced this year.

"The quest for higher productivity is an unending one and it may be that, in the next two or three years, we will have to do a bit more at Brel than we expected to," he said.

Brel's troubles have prompted fears among the workforce that the company may be run down to the point where it becomes an assembly plant for components brought in from the Continent, where ABB itself is a significant railway equipment manufacturer.

Mr Eric Drewery, ABB's UK chief executive and the company's representative on the Brel board, said these fears were unjustified.

"We have no intention to diminish the role of Brel in any way," he said.

Ten years ago Brel employed 35,000 people at 13 workshops across the UK. The company has shrunk in response to increased competition, greater productivity, and the reduced maintenance needs of modern trains.

Brel's shares, 20 per cent of which are held by management and employees, had risen in value from £1 at the time of privatisation to £10.54 at the last revaluation six months ago. The revaluation currently under way is likely to reflect the probability of a serious deterioration in the company's financial performance in the year to September 1990.

Train faults threaten to derail UK manufacturer

Richard Tomkins looks at the problems of Brel

BREL, Britain's biggest train maker, is in trouble. There can be no doubt of that after last week's ousting of its chief executive and the discovery of further serious defects in the company's most important product.

But the full explanation for Brel's problems lies less in the events of the last few days or weeks than in the period leading up to the company's privatisation in April 1989.

Although Brel was part of the state-owned British Rail (BR) at the time it was sold, and was therefore BR's biggest supplier of rolling stock, a policy of making it compete with the private sector for BR orders had been in place for several years.

It was therefore against tough competition that, in November 1987, it landed the £200m contract to build a new type of express train – the class 158 – which was to form the backbone of BR's Regional Railways fleet.

Brel won the order by offering quick delivery of a product which represented a technological leap forward in train technology. Instead of evolving out of earlier models, the design for the class 158 started on a blank sheet of paper.

Innovations proliferated. Passengers were to be cosseted with microprocessor-controlled air conditioning; turbo-charged diesel engines under each carriage promised fast acceleration and high speeds; and, most significantly, the train bodies were to comprise a single, lightweight aluminium shell instead of the traditional steel body on a steel chassis.

As Brel got to work on the order, preparations for privatisation were moving ahead. In April 1989 the company was sold to a management-employee buy-out team backed by Asea Brown Boveri (ABB), the Swiss-Swedish engineering group, and Trafalgar House, the British construction group.

A significant hurdle had to be cleared before the sale was agreed. It now emerges ABB and Trafalgar House were acutely concerned that Brel had overreached itself with the delivery schedule it had promised for the class 158.

Mr Allan Gormly, Trafalgar House's representative director on Brel's main board, compares Brel's new product with a revolutionary car, built from a new material, with sophisticated new electronic controls, a new engine and drive train.

"You would not put the first vehicle you produced in a showroom and expect it to be picked up by Joe Public and driven away without any faults emerging," he says.

"But that is what the contractual arrangement was between Brel and BR for the class 158. The vehicles were due to start rolling off the production line at the rate of five a week, with no allowance for prototype testing whatsoever."

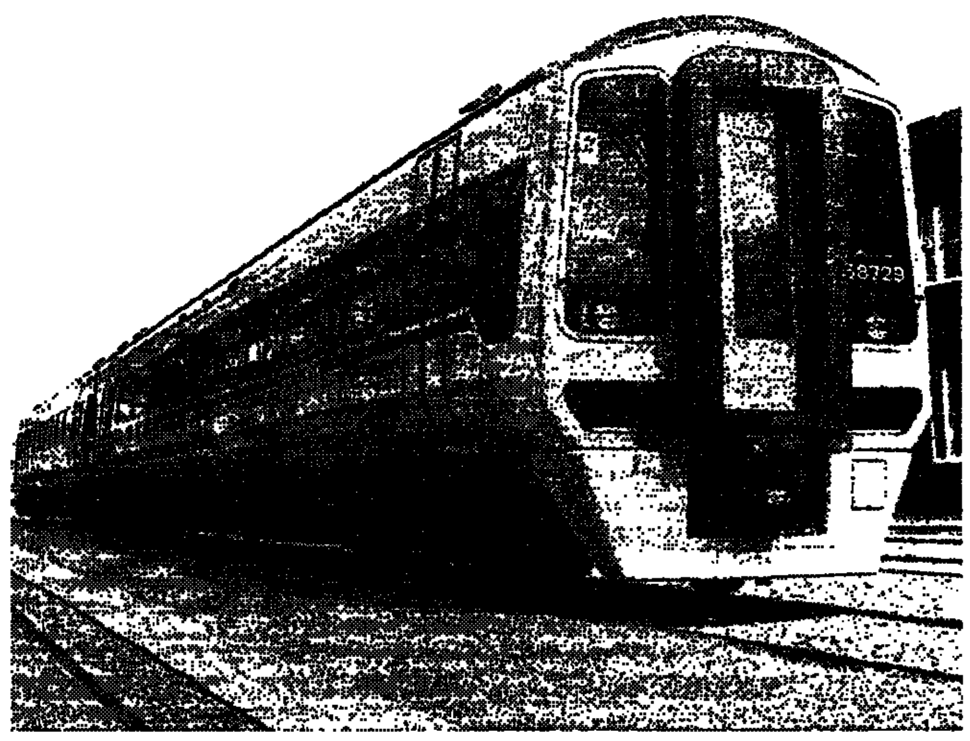
ABB and Trafalgar House insisted on renegotiating the agreement to buy Brel from BR in an attempt to build in guarantees against claims arising from the class 158 contract.

Within months the contract had started to go wrong. The first train was due to be handed over to BR in October 1989. Instead, the schedule was thrown back six months after the discovery of serious structural weaknesses in the aluminium body-shell.

The problems multiplied as more faults were discovered. Delivery schedules slipped further and BR fumed as its timetables were thrown into chaos. When the trains eventually started to enter service a year late, they developed a series of teething troubles.

By early this year it was becoming clear that Brel was plunging into losses after reporting a pre-tax profit of £22.4m for the year to September 1990. Then in June the discovery of another structural defect in the class 158 meant the entire fleet would have to be returned for more modifications under warranty.

But the majority shareholders' patience seems finally to have snapped when delivery schedules started to slip on another crucial contract – the production of the Networker trains which are to form the backbone of BR's Network SouthEast fleet over the next few years. The Networker, to some extent a derivative of the class 158, is another revolutionary aluminium-bodied train intended to provide an upward leap in quality of services for passengers on Network SouthEast.



Late arrival: delivery of the Class 158 has been delayed by faults

No longer content to be passive investors amid this deepening crisis, ABB and Trafalgar House have now asserted control over the company.

Mr Peter Holdstock, the Brel chief executive who led the buy-out, has been replaced by Mr Bo Sodersten, a Swede nominated by ABB, and other changes are imminent.

Still to be resolved, meanwhile, is the question of who is going to pay for the class 158 fiasco. The defective trains have been repaired at Brel's expense, but BR says it has incurred additional costs of £20m in revenue losses and the extra cost of keeping older, inefficient trains in service.

The majority shareholders are naturally reluctant to accept responsibility for what they see as mistakes made when Brel was still in BR's ownership. Further, says Mr Gormly, the renegotiated agreement for the purchase of Brel from BR reflected the shareholders' concerns about the risks presented by the class 158 contract.

He said: "The agreement sets out arrangements for the parties to see how the costs have arisen and how they are to be shared between the parties.

"There are going to be some interesting discussions between ourselves and British Rail about the commercial settlement of these issues."

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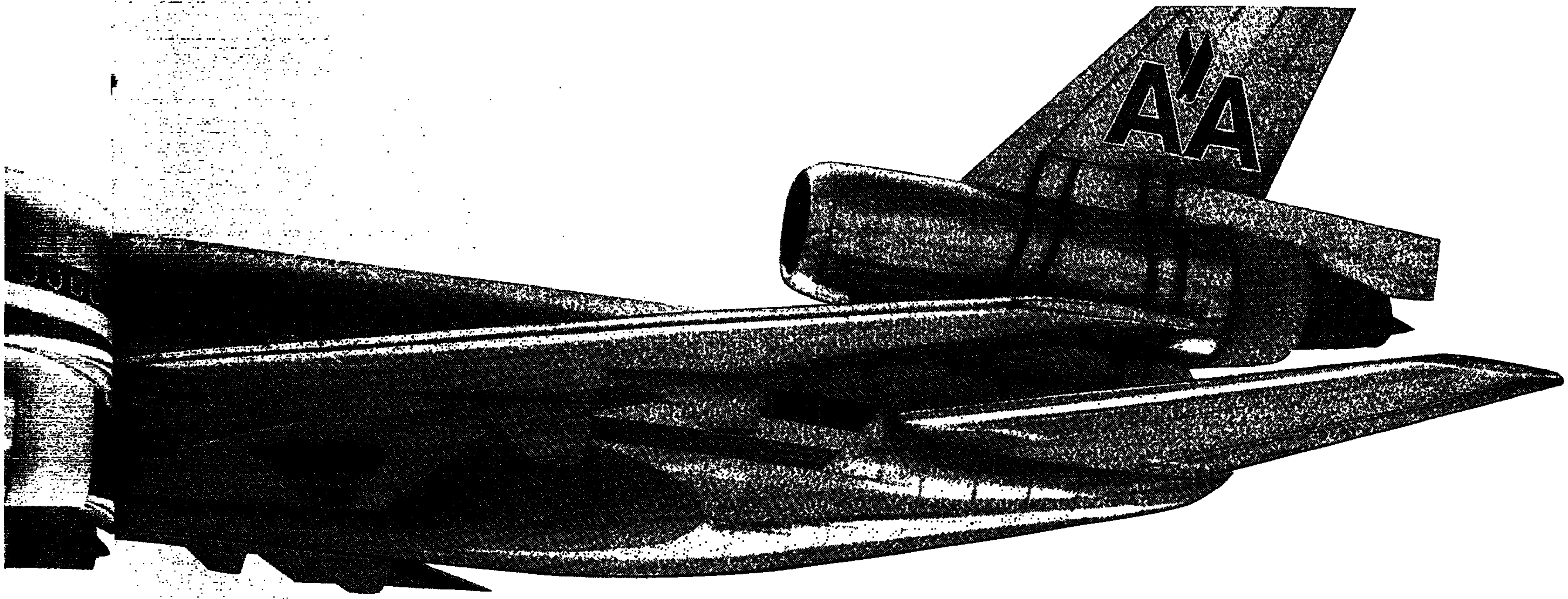

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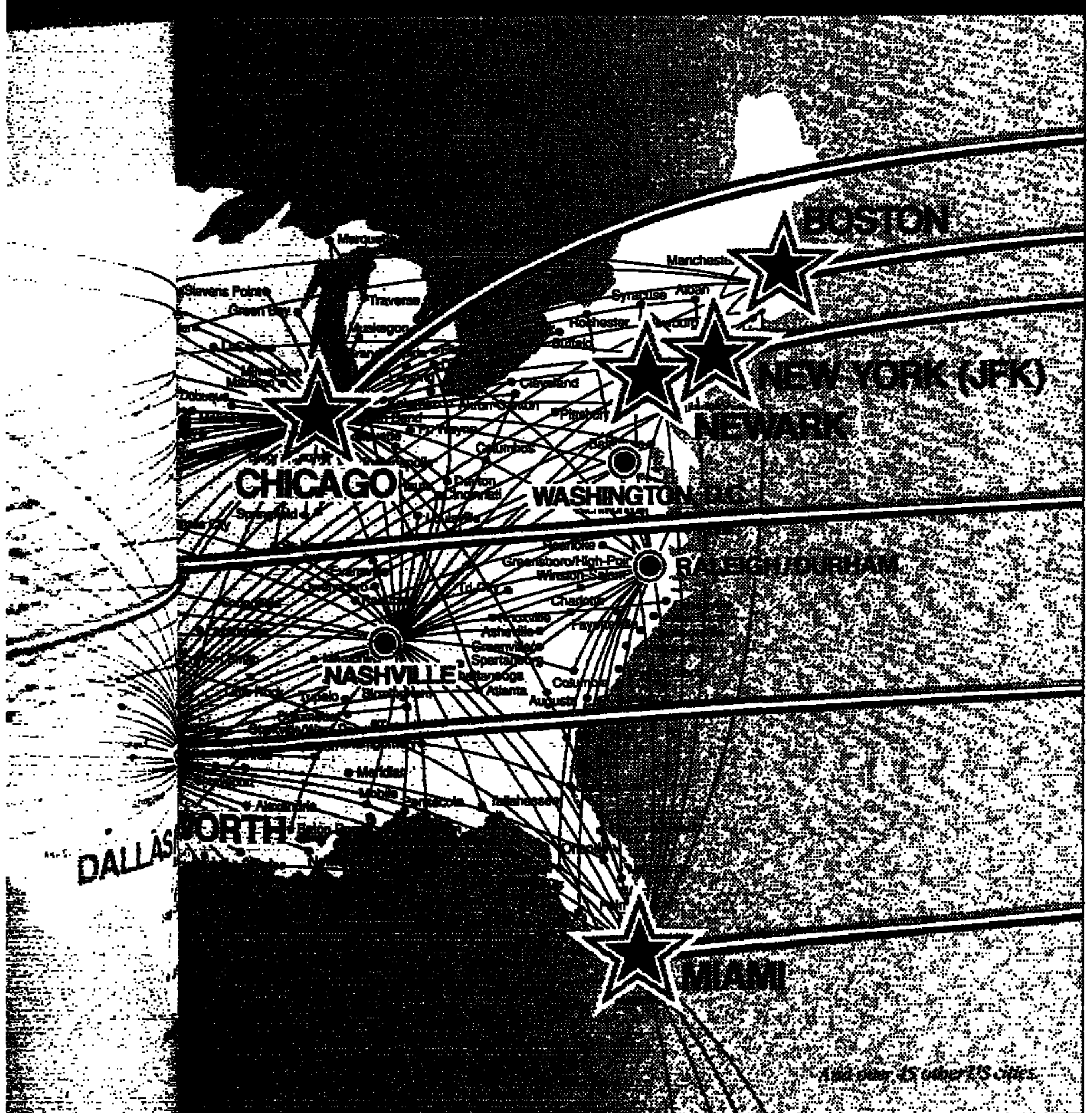

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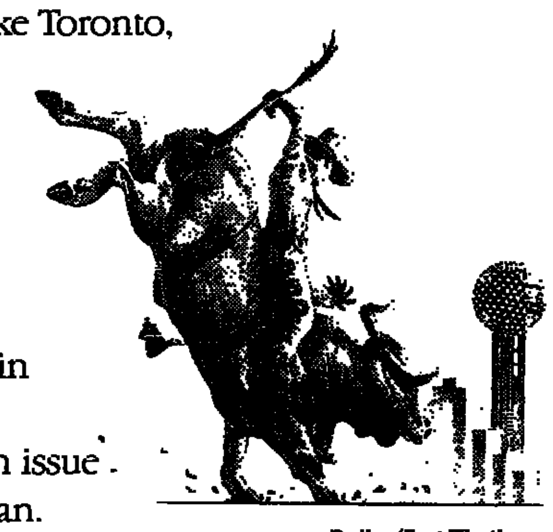

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UK NEWS – LIBERAL DEMOCRATS AT BOURNEMOUTH

Plans provide for 'greatly extended' local powers

By David Owen

THE LIBERAL DEMOCRATS yesterday outlined plans to set up a "comprehensive tier" of English community and neighbourhood councils with "greatly extended" powers as part of its local government policy.

The party's proposals are designed to engineer a decentralisation of power at the local level. Mr David Bellotti MP said: "We would decentralise power to the level closest to the people wherever possible."

Under the recommendations poll tax would be replaced by a local income tax, levied at a rate set by the council and collected via the Inland Revenue PAYE and other income tax systems. The uniform business rate would in turn be abolished in favour of a system of site value rating, set by each council and related to the value of the land as opposed to the buildings on it.

The party claimed that this would promote the efficient use of land and free control of significant chunks of council income from "Whitehall's grip."

Equalisation of council income would be taken away from central government control and exercised collectively by local councils.

A string of regional authorities would be established throughout England to exercise power that the party would devolve from central government. Priority would be given to the creation of a Greater London regional authority.

All related elections would be held by proportional representation using the single transferable vote system.

The party said that it envisaged a six-year timetable of reform.

● The Labour-affiliated Fabian Society has advocated the widespread introduction of customer contracts for council services while highlighting "the dramatic centralisation of power that has taken place under the Tories."

In a pamphlet on improving public services it proposed that council services be devolved to neighbourhood offices to provide a "one-stop" arrangement where residents could "pay the poll tax, deal with a housing repair or complain about a noisy neighbour."

Ashdown focuses his attack on Labour

By Alison Smith

MR PADDY ASHDOWN, leader of the Liberal Democrats, yesterday claimed his party was the only one capable of challenging both the others, and attacked Labour for having left "a huge vacuum" in British politics, and as incapable of beating the Tories.

At the start of the party's conference, Mr Ashdown said Labour had missed its opportunity to provide a real alternative to the Conservatives, and was paying the price. Its surge in the opinion polls had been checked. He believed Labour could not win.

He cited in support of this a letter he had received from Mr Jeff Rooker, Labour MP for Birmingham Perry Bar. Mr Rooker, who is a junior social security spokesman and a campaigner for electoral reform, wrote to Mr Ashdown to try to secure his support for Labour in seats where Liberal Democrat candidates had no chance of winning.

The Liberal Democrats have been at pains to play up their ability to provide an alternative attractive to voters throughout the UK, emphasising their consistent performance in recent by-elections. While the Tories lost their deposit at Liverpool Walton, and Labour lost its deposit at Eastbourne, the Liberal Democrats came second to Labour in Walton and took Eastbourne from the Tories.

Mr Des Wilson, the party's campaigns manager, said the Liberal Democrats were ready to fight an election on November 7. The third party's problem had always been that it was seen as a wasted vote. "The whole game changes if Labour is perceived as a wasted vote," he said.

The party was on course to reach its target of £1.25m for the election fund.

The party estimates that some 2,000 delegates will attend the conference, which an upbeat Mr Ashdown insisted would not be spent talking about a hung parliament. He said the party would use the time to spell out and sharpen its message on education, the economy, environmental policies and Europe.

But, facing the inevitable question about what he would do if the Liberal Democrats held the balance of power, he signalled that the party would not acquiesce in keeping a minority government in power to avoid the uncertainty that would be created by two elections in quick succession.

Mr Ashdown rejected the idea that, if there were no deal, the Liberal Democrats might be disadvantaged because their stance might be seen as the cause of the second election. He warned that if the Conservatives or Labour sought "to grab power and have a period of instability, the electorate will know what to make of that".

Economic policy architect courts conscientious image

By David Owen

MR ALAN BEITH was carving the roast at a family dinner in Berwick-upon-Tweed yesterday as his party assembled at the other end of England for its annual conference.

The Liberal Democrat Treasury spokesman is among the principal authors of the radical economic policy document that will be the focus of tomorrow's central debate.

The paper sets out the party's position on everything from competition issues to the labour market. The homely image is in keeping with the reputation for worthy conscientiousness that has dogged Mr Beith, particularly since losing the party's first leadership contest to Mr Paddy Ashdown in July 1988.

Known as especially diligent towards local needs since his election (with the princely majority of 57 votes) as Liberal MP for Berwick in 1973, Mr Beith will be resuming his annual pilgrimage around 120 Northumberland villages in a mobile office as soon as the conference ends.

"I hope I have not changed the level of commitment I have to local constituency needs," he says.

In several respects, notably its espousal of free trade and advocacy of a strengthened competition policy, the new paper represents a reiteration of traditional Liberal economic philosophies. It also focuses on a number of the former Newcastle upon Tyne University lecturer's pet concerns.

Into this category would fall its emphasis on the need for openness in economic decision-making and for increased investment in education and vocational training.

On Europe, it proposes a rapid and timetabled move towards economic and monetary union, incorporating an independent central bank. It advocates a national savings target, met with the help of fiscal adjustments, in a bid to ensure that investment levels are maintained.

The party has acquired a notoriety in political circles for publicly admitting that it would put a penny on income tax if need be to finance its education proposals. Far from committing electoral suicide, Mr Beith believes that the pledge will end up winning the party support among "the thinking electorate".

He explains: "We believe that there is a substantial section of the British electorate which realises that certain things have to be done and we are not shy about saying so."

He is keen "that the party does not become one that is soft on taxation or thinks that high taxation is a good thing." In answer to the assertion that independent central banks and savings targets will not cut much ice on the average doorstep in Batley or Bideford, Mr Beith suggests that the important thing is to be recognised as having serious and well-thought-out economic policies.

The party can tell voters that "the interest rates we have had would not have been necessary if the disciplines we suggest had been in place," he says. These disciplines would act as "protection against the sort of mortgage misery we have experienced".

Effort directed where it will count most

Alison Smith presents the strategy that the party hopes will maximise election gains

THE sophistication of Liberal Democrat by-election tactics has long been a source of pride to the party and annoyance to its opponents.

It was not a feature of the 1987 election campaign, however, as the confusion of having two differing Alliance leaders blunted the party's message. This time the party is determined to make its resources and expertise count.

At the heart of the party's campaign plan is the tactic of "layered targetting" – categorising each of the 632 seats in which a Liberal Democrat candidate will be standing and establishing how much effort should go into fighting it.

The plan is primarily the work of Mr Des Wilson, who has been at his post of campaigns manager for about 18 months. He is emphatic that planning this use of the party's resources does not mean that some votes do not count. "It's not our strategy to target seats, but we're targetting seats within the strategy. We're fighting every seat for every vote and we mean it."

In discussion with the party at regional and national levels, each constituency is being given objectives. In most of the seats where aiming to win is other than quixotic, the achievement would be at the expense of the Tories. There are only five seats in which the third party came within 5,000 votes of the Labour MP in 1987.

For areas where the party has scarcely had a presence, the objective might be an increase in membership or simply publishing an election address. In other seats, it might be establishing the reputation of a new candidate or holding second place.

The party is also conscious that merely retaining the 21 seats it holds must be a primary objective. Mr Wilson estimates an assumed anti-Tory swing makes about half of them safe, but others, such as Mr Simon Hughes' seat in Southwark and Bermondsey, have already been identified as needing a special effort.

Officials are keen to emphasise that the categorisations are far from being based solely on the results in the 1987 election. The local elections since then are regarded as important benchmarks, and even the party's disastrous performance in the Euro-elections showed them that support held up in Cornwall and Plymouth.

Seaside meeting: Paddy Ashdown with party campaigns manager Des Wilson in Bournemouth yesterday

Though the Liberals' traditional strength in the south-west means that region contains a high number of target seats, the same does not seem so true of the other "Celtic fringe" areas where many of the party's MPs have their constituencies.

In Scotland, apart from Kincardine and Deeside, where a by-election is due, their best prospect seems to be Edinburgh West, where a swing of less than 2 per cent would unseat Lord James Douglas-Hamilton, a junior Scottish office minister.

In Wales, the best target looks like Conwy, where Sir Wyn Roberts, a Welsh office minister, is defending a majority of less than 4,000 against a Liberal Democrat who has fought the seat twice before.

The strategists also take into account more personal factors such as a particularly strong candidate or good local party machine. At Southport in the last election and in the Ribble Valley by-election the party benefitted when a long-standing and popular MP stood down. With the aim of maximising that effect again, the party has particularly in its sights seats such as Falmouth and Camborne, where Mr David Mudd is standing down. The Liberal Democrats also believe that Mr Sebastian Coe, the athlete, will have a hard job to match his predecessor's 5,000 majority.

Equally, the continuing presence of an MP whom the party believes can be presented as weak on local issues is seen as a benefit. The party has strong designs on Cornwall north, where Sir Gerry Neale is defending a majority of about 5,500.

They say also that a maverick MP where the party is in second place can prove "very uniting from our point of view". That is what they will be hoping for from the campaign in Littleborough and Saddleworth, the seat Mr Geoffrey Dickens currently holds by just over 6,000.

Beyond the high-profile seats the party believes it stands a good chance of winning – such as Cheltenham, Hereford, and Portsmouth south – are many where its aim is for the next election to be a "staging post" so the party is poised for victory at the election after. A campaign organiser said: "Very few of our MPs were elected first time round."

MR Wilson is tight-lipped about the number and names of seats in each category, but areas of Liberal Democrat success in the May local elections provide a pointer.

While the prospect of a Liberal Democrat surge in Gosport, where Mr Peter Viggers (C) won by a margin of more than 13,000 in 1987, and in Congleton where Mrs Ann Winterton (C) is defending a majority of almost 8,000 may seem fanciful, the party took control of both those local councils in the May elections.

Mr Wilson points out that being a high-category seat may not make a vast difference financially: "Our resources nationally are so limited that there is only an extent to which we can do that anyway." Nonetheless, he is on course for his target of an election fund of £1.25m.

The real benefit, however, is in the expertise at the disposal of target campaigns, and in the prospect of a media-intensive visit from Mr Ashdown on the campaign trail.

In the same way that the Association of Liberal Councillors has traditionally shared its experiences, so now the party's national headquarters is spreading "best practice" and making the most sophisticated briefing available to the most likely seats.

Training for candidates, particularly in dealing with the media, and for their agents, is under way.

Headquarters and the regions are also encouraging activists from seats where their presence may, effectively, be academic, to work in areas where a strong campaign could be decisive.

EMPLOYMENT

Civil servants' ballot opens amid acrimony

By Michael Smith, Labour Correspondent

A BALLOT on whether to create a 250,000-strong Civil Service union begins today amid increasing acrimony between leaders of the two unions involved over whether the amalgamation should proceed.

The vote among 128,000 members of the Civil and Public Services Association follows a similar one last year which produced a slender margin in favour of amalgamation, but which was aborted because of difficulties in distributing ballot papers.

This time CPSA leaders are being more forthright in their opposition to the merger with the National Union of Civil and Public Servants.

Attached to the ballot paper is a document outlining 10 reasons why members should reject a merger. On the ballot paper, the box to vote against appears above that for voting in favour.

Mr Leslie Christie, NUCPS general secretary, said yesterday that the CPSA executive's desperation to secure a "No" vote had overcome any judgment on fairness and balance.

He said CPSA members were too intelligent to allow their interests to be treated so badly by an executive who were concerned about their personal position in a merged union.

Mr John Ellis, CPSA general secretary, said the executive's action followed a vote by the union's conference to campaign against a merger.

Among their 10 reasons for voting no, the CPSA executive say that "managerial grades could dominate a merged union, ensuring their interests are advanced at the expense of former CPSA members." A merger would result in a top-heavy administration with increased costs but no guarantee of increased services or efficiency.

"Work has already begun among all Civil Service unions to secure greater co-operation, unity and better use of resources," says the literature. "That is the way forward, not simply a merger with the NUCPS."

Last year members of the NUCPS voted by a margin of three to one in favour of merging. Their leaders believe a merged union, representing about half of Britain's non-industrial civil servants, would be be more powerful in pay and other negotiations than the two organisations separately.

Voting in the CPSA ballot will take place until October 28, with the declaration of the result a few days later.

● *Leaders of Inland Revenue Staff Federation including general secretary Mr Clive Brooke will meet Mr Norman Lamont, the chancellor, this week to push for an increase in a 6.5 per cent pay offer.*

Disablement cases 'reflect past harm'

By Diane Summers, Labour Staff

MORE THAN 1,000 new cases of disease related to asbestos, silica and coal dust are awarded disablement benefit each year, according to the latest health and safety statistics from the Department of Employment.

While these substances are strictly controlled, the figure demonstrates the "continuing legacy of harm from past exposure," the report says. Diseases associated with the substances, including asbestosis, pneumoconiosis, lung cancer and mesothelioma, can show a 15 to 40-year time lag between exposure and diagnosis.

For asbestos, the report says that rough estimates suggest a total of over 2,000 premature deaths each year due to asbestos-related cancer. Mesothelioma death rates in the north of England are shown to be about twice the national average.

The report quotes studies which estimate that around 4 per cent of cancers could be avoided by the elimination of all workplace carcinogenic risks. This suggests an annual total of about 5,000 premature deaths from work-related cancer in Great Britain, says the department.

Past exposure to high levels of noise in the workplace is reflected in the number of new awards for disablement benefit: more than 1,000 new cases of occupational deafness were diagnosed during 1989-90. Vibration White Finger, a disorder of the blood supply to the hand caused by long-term use of hand-held tools, became in 1989-90 the most common single category of compensated disease, with more than 2,500 new cases.

Health and Safety Statistics 1989-90, Supplement to Employment Gazette September 1991. Available from HMSO.

Complete de-recognition of unions is found to be rare

By Lisa Wood, Labour Staff

COMPLETE de-recognition of unions in UK companies has been rare over the past decade, even in companies where there is a low proportion of union members, according to a study published in the British Journal of Industrial Relations.

The study of changes in trade union recognition and wage-setting arrangements in the 1980s was based on a sample of 558 companies analysed by the National Institute of Economic and Social Research.

The study said there had been a significant amount of change in the late 1980s, with more decentralised wage-setting arrangements.

However, the authors, Mr Paul Gregg and Mr Anthony Yates, concluded that even in 1990 trade union presence remained widespread and changes fell "far short of a systematic rejection of trade unionism by management in UK companies".

Complete de-recognition of all unions from all establishments in a company were rare, said the survey. However, de-recognition in a particular plant at companies with a number of sites had been more widespread, with 13 per cent of companies with recognition agreements in 1984 experiencing some form of de-recognition by 1990.

The authors said: "While partial de-recognition is widespread among multi-establishment plants it was found to be particularly common in the construction, retail and hotel and catering industries.

The survey showed small declines in union membership density after 1984 in 40 per cent of unionised companies.

The authors concluded that the decline in trade union membership was not just a result of closure of unionised companies and failure to secure recognition in new or expanding ones, or sectoral shifts in employment.

They said the figures implied there was an additional drift away from union membership where available to workers.

On the closed shop the report said 35 per cent of companies that reported closed-shop arrangements in 1984 had partially or totally abolished them by 1990. However, about a quarter of companies recognising unions still operated closed-shop arrangements for some workers.

Changes in Wage-setting Arrangements and Trade Union Presence in the 1980s. Paul Gregg and Anthony Yates. Volume 29, Number 3. By subscription from Basil Blackwell, 108 Cowley Road, Oxford OX4 1JF.

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MANAGEMENT

A bitter dose of pills for the Treuhand to swallow

David Goodhart profiles the privatisation agency's progress in selling off an east German pharmaceutical company

The Treuhandanstalt, the east German privatisation agency, may one day be regarded as a model institution, besieged by privatisation officials from China and Cuba begging for information about how it managed to sell off east German industry so quickly and efficiently.

In today's real world it continues to be Germany's favourite punch-bag. East German workers think it is heartless while west German managers think it is ponderous (only 34 per cent of west German managers said it was doing a good job in a recent poll). Some accuse of it selling off east German companies too quickly and cheaply, others of selling too slowly and bureaucratically.

Even where the Treuhand appears to have done a good job selling off a desirable company relatively quickly, and for a tidy sum, the organisation is often subject to threats of legal action and accused of anti-competitive behaviour.

A case in point is the sale of Jenapharm, an east German drug company with healthy earnings potential, to Gehe of Stuttgart, west Germany's biggest pharmaceutical wholesaler.

Jenapharm, indirectly connected to the Carl Zeiss optical instruments group in Jena, was the monopoly producer of the birth control pill in the former East Germany; its 2,000 workers (at the end of 1990) also produced steroids, antibiotics, and vitamin pills, many for export to the Soviet Union.

Dieter Taubert, the 39-year-old head of the company, is one of the brighter young east German managers. Soon after the fall of the wall he began taking advantage of his new freedom to add several generic drugs to the company's portfolio.

Meanwhile, by mid-1990, Gehe had already taken a large stake in the east German pharmaceutical wholesale network.

From that base it made an assessment of the main drug producers with a view to acquisition. It concluded that Jenapharm had the best reputation among retailers and the most attractive product mix. It also had its own research department with 240 scientists. Towards the end of 1990 Gehe talked to the Jenapharm management and in January 1991 made a formal enquiry at the Treuhand.

The Treuhand originally received eight enquiries about Jenapharm. It subsequently received four firm offers from Gehe, from Schering, the west Berlin-based multinational drug producer, and from two other west German consortia. No foreign companies were involved and no attempt was made to attract foreign interest.

There were plentiful sources of information for Gehe and the other bidders. All would-be purchasers were free to make their own valuations and talk directly to the management. The DM balance sheet gave a positive sum of DM230m (£78.2m) although it was qualified by various unknowns, and the profit and loss account for the second half of 1990 saw a small loss on sales of DM90m, of which half came from the contraceptive pill. Jenapharm was one of the few larger east German companies that had a positive cash-flow in the first few months after economic union.

Negotiations began in spring 1991 with the Treuhand in the unusually happy position of having four serious bidders. After preliminary talks all four were asked to give details of their bid price, their planned investment and the number of workers they planned to keep on.

In the first round of negotiations, bids ranged from DM28m to DM70m, promised investment from DM80m to DM120m and the number of jobs to be retained from 850 to 1,300. But because of the keen interest, and because one of the Treuhand officials involved had previously worked for Schering, the organisation decided to ask Booz Allen, the international consultancy firm, to make an outside assessment of the bidders.

Booz Allen favoured Gehe and one of the two consortia, and the negotiations went on primarily with those two. An initial "final offer" accepted by the Treuhand negotiators was rejected by the Treuhand executive as inadequate. A deadline was set for improved offers and Gehe emerged the winner and signed the deal on July 1.

Gehe paid DM110m cash for Jenapharm, not a huge sum considering that Jenapharm is expecting to make pre-tax profit of DM30m on sales of more than DM200m this year. But the total cost to Gehe, including taking over DM16.5m of corporate debt and DM35m in pension liabilities, was more like DM160m. On top of that Gehe promised to invest DM80m by 1993 and to keep 1,250 jobs. Unlike some earlier Treuhand deals these promises were written into the contract with penalty clauses if they are not kept.

Gehe bought the land as well as Jenapharm's four plants but the sale price for the land, of about DM120 per sq metre, will be subject to review in 1993 and Gehe may have to pay more. The company also had to provide about DM10m to cover the cost of environmental damage.

Dieter Kämmerer, Gehe finance director, says that cost reductions, new working practices and job losses, were needed directly after the takeover.

He admitted that the company had been pushed into paying more and taking over more liabilities than had originally been envisaged but he was confident that Gehe had bought an excellent company that would very soon pay its way.

He added that dealing with the Treuhand was not like making a deal in the private sector. Kämmerer, none the less, says the organisation had become far more professional in its dealings with would-be bidders between deals struck by Gehe in mid-1990 and the acquisition of Jenapharm in mid-1991.

Schering, however, was furious not to have succeeded and threatened legal action. It had returned to the negotiations towards the end and, convinced of victory, put out a press release announcing that it had acquired Jenapharm. The Treuhand negotiators admitted that Schering had offered more money, but they favoured Gehe mainly because it wanted to keep and expand Jenapharm's research facilities while Schering, with its own research facilities, would have found them superfluous.

Judging from what Sir Leon Brittan, the EC commissioner for competition, has said about the Treuhand, Jenapharm would make a classic case for EC intervention. In an interview in the German newspaper Die Zeit, just after the competition directorate had announced that it intended to keep a close eye on the Treuhand, Sir Leon said: "If the Treuhand receives a number of offers and accepts not the highest but a lower offer, that is presumably a case of special state assistance."

In the Jenapharm case the Treuhand did, in effect, offer Gehe favourable terms in the name of retaining part of the east German research base. That seems a reasonable enough goal, especially as, according to some reports, the number of scientists working in east German industry has fallen from 86,000 to under 30,000 since re-unification.

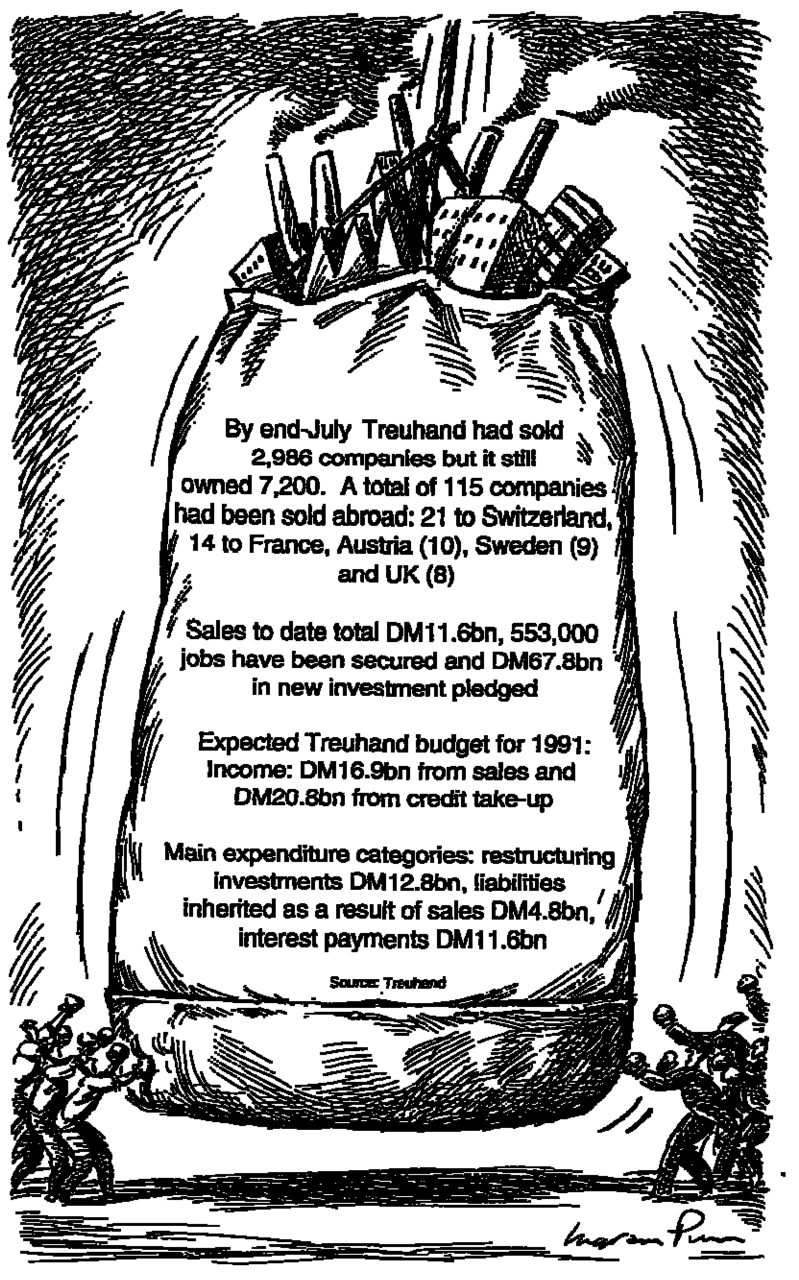
If such an attitude is none-the-less considered an unacceptable venture into "industrial policy" then the same could be said of a large number of Treuhand deals where, for example, an industrial company offering jobs and investment is chosen rather than the higher cash offer of a property speculator.

But the fact that the Treuhand does have broader interests than a private company when selling its subsidiaries does not relieve the organisation of the duty to explain its actions clearly. Many companies, such as Schering, feel themselves to be the victim of arbitrary decision-making when "broader interests" take precedence over a superior offer.

But the Treuhand creates other competition problems which probably should be acted upon. For example the Federal Cartel Office is currently investigating three building companies in Cottbus on the German-Polish border, all owned by the Treuhand, which have allegedly been winning public contracts by bidding under cost, safe in the knowledge that the Treuhand will cover their losses.

The building company managers naturally want to keep as many jobs as possible. But to recently privatised competitors in the Cottbus building trade, with no state holding company to cover their losses, the argument looks rather different.

This is the last of three articles on the Treuhand; the others were published on August 16 and 23.



Looking west for business advice

Gehe said it planned to keep most of Jenapharm's east German managers, although not necessarily in the same positions.

Other west German companies which have made acquisitions in the east say they invariably need to put westerners in charge of finance, marketing and administration.

The competence of east German management in other fields varies enormously but they are usually strong in technology and production.

Replacing managers is more difficult for the Treuhand itself which, despite the strong flow of companies to the private sector, still controls more than 7,000 companies.

About 1,500 east German managers have been sacked for incompetence or because of their political past, but the Treuhand does not have the resources to parachute in the 30,000 qualified managers which, according to some estimates, it needs.

Birgit Breuel, the Treuhand chief, admits that "several thousand" qualified managers are needed but she also praises the east Germans for their ability to learn new skills quickly. A few dozen west German pioneers have gone east to manage companies and the Treuhand has hired – on short-term contracts – hundreds more.

Also, nearly half of the 1,000 companies with more than 500 workers have established their own supervisory boards. This means that at least occasional advice and guidance is available from western businessmen and politicians.

That guidance is often badly needed. To the frustration of Treuhand officials trying to sell Deutsche Waggonbau, the world's biggest railway carriage maker, the chief executive recently signed a long-term deal with the Soviet Union to sell at, or even slightly below, the cost of production. The chief executive and most of the other senior east German managers have now been sacked.

Jost Prescher, a manager at the prestigious east German machine tool company, Fritz Heckert, says that the reaction of most east German managers to the high cost structures revealed by monetary union was to double prices. He did, however, also point out that Treuhand-owned companies often suffer special disadvantages.

Breuel: managers needed

"We have lost a lot of contracts because customers do not want to place long-term orders with us and then discover we have been sold to one of their chief competitors."

Despite those problems and its having only a sprinkling of western managers, the Treuhand's automotive sector, consisting of about 150 unsold companies, reported in mid-July that 40 per cent of companies were breaking-even or better.

Less good news for the Treuhand's finances is the news that the cost of selling businesses is proving expensive. According to Ken Paulin, a director in the automotive sector, more than 40 companies in the sector have been sold, securing 20,000 jobs and bringing receipts of about DM250m (£85m) and investment promises of DM5bn (£1.7bn).

However, liabilities shouldered by the Treuhand in order to sell the companies come to DM900m.

Correction

Shell South Africa intends to achieve its goal of 20 per cent black managers by next year by promoting people on merit. An editing error in last Friday's issue incorrectly suggested this was "window-dressing".

THE WEEK AHEAD

ECONOMICS

UK data expected to provide clues to further cuts in interest rates

ECONOMIC commentators this week will be watching out for new information about underlying inflationary trends in the UK.

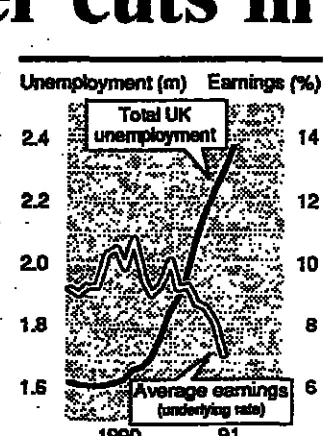
The data could shed light on the speed with which interest rates may come down further in the next two months.

Last week, chancellor Mr Norman Lamont cut UK interest rates by one-half of one percentage point, to $10\frac{1}{2}$ per cent, partly on the grounds that inflation is falling fast and that the still-fragile signs of any recovery in the economy justified an easing in monetary policy.

On Thursday, many economists expect the Department of Employment to announce that the annual rate of rise in underlying earnings across the economy – $8\frac{1}{4}$ per cent in June – continued its fall of the past six months and dropped to 8 per cent in July.

The annual rate of rise in the retail prices index, 5.5 per cent in July, is also widely anticipated to have come down by a full percentage point in August, a figure which is due to be announced on Friday.

Also on Thursday, analysts are expecting the announcement of a further large rise in seasonally adjusted unemployment in August. Many believe the figure will be about 58,000, compared with 68,000 in July.



Although the German Bundesbank is holding a regular council meeting on Thursday, few expect any change in German interest rates, which were increased at the last council meeting on August 15.

The consensus is that the German economy likely to slow down over the next year, as a result of a levelling off in the surge in demand due to reunification, and in this context many in the Bundesbank may well feel that no further rise is justified.

There will also be interest in data from the US on the money supply, retail prices and wholesale trade, which will provide new clues on the rate of the US recovery.

The most important releases of data during the week are as follows. The numbers in brackets are market projections, provided by financial research company MMS.

Today: US, July consumer credit (down \$0.1bn on the month), financial report for manufacturing, 2nd quarter; UK, July consumer credit business (up £150m), final July retail sales (up 0.3 per cent); Switzerland, regular monthly meeting in Basle of Bank for International Settlements.

Tomorrow: US, Congress returns from summer recess, 2nd quarter current account; France, 2nd quarter employment figures; UK, producer prices in August (down 0.3 per cent on month), August output prices (up 0.3 per cent on month, 5.8 per cent on year); Japan, July machinery orders; Australia, 2nd quarter gross domestic product.

Wednesday: US, July wholesale trade figures; Japan August trade surplus (\$4.5bn); Australia, July retail trade; UK, current account data for 2nd quarter.

Thursday: Germany, Bundesbank holds regular council meeting; US, August producer prices (up 0.3 per cent on month), July housing completions, money supply data for week ending September 2 (M1: -\$1.3bn; M2: -\$3.2bn; M3: -\$3.3bn), money growth in August (M1: \$6.8bn; M2: \$1.3bn; M3: -\$3.5bn); UK, survey of retail industry by Confederation of British Industry, August unemployment (up 58,000), August vacancies, July average earnings across the economy (up 8 per cent on year); Spain, consumer price index; Australia, August unemployment rate (10 per cent), 2nd quarter average weekly earnings, 2nd quarter manufacturing and industrial production indices.

Friday: US, August consumer price index (up 0.3 per cent), August retail sales (down 0.2 per cent), real earnings growth in August, September 1-10 car sales (up 6.2 per cent); UK, retail prices index for August (up 0.1 per cent on month, 4.5 per cent on year), August RPI excluding mortgage payments (up 6.1 per cent); Canada, consumer price index in August (5.8 per cent up on year).

Also due to be released during the week are retail sales in July in Germany (up 3.5 per cent on year) and eastern Germany's industrial production in June.

Peter Marsh

RESULTS DUE

GLAXO on Thursday is expected to report pre-tax profits for the year ended June of around £1.24bn (against £1.15bn a year earlier) and an increased dividend. Margins are likely to have held up well despite heavy sales and R&D costs.

Analysts will be scrutinising sales of various drugs. Zantac, the ulcer treatment, is expected to maintain double digit volume growth. The performance of two new drugs, Zofran for nausea and Serevent for asthma, is of particular interest.

Rolls-Royce's interim pre-tax profits on Thursday are expected to be almost wiped out compared to last year's £115m. Even optimists expect only £28m pre-tax. The plunge is caused mainly by a slowdown in civil aerospace following a fall in demand for spare parts. The company is expected to be confident enough to maintain the dividend at 2.55p.

Will British Aerospace spring a rights issue on Wednesday? Speculation has caused recent weakness in the share price. Interim pre-tax profits are expected to slump to about £110m (£146m). There is a chance of a dividend rise, however, to 9.8p (8.9p). BAe's civil side is expected to show signs of turning round, although it may be too early to expect that from Rover, after an extremely tough first half. As with Rolls-Royce, shareholders want to know about the potential savings from the decline in defence business.

Cadbury Schweppes is likely to report on Wednesday interim pre-tax profits ahead slightly to about £112m (£104.7m). Confectionery has fared well in the UK but less well in places like Australia. Beverages, hit by poor weather and the recession, will look weak in comparison with last year's very strong first half.

Recent rumours of a bid from Philip Morris of the US are probably wishful thinking. It seems unlikely, for example, that the US group would find Cadbury's soft drink business to its strategic taste.

United Biscuits (Holdings) is also likely to show on Thursday a marginal increase in first-half pre-tax profits to about £86m (£83m). Its diverse snack portfolio will have held up well on balance to the recession but big question marks hang over Ross Young's, its frozen food business. Given the difficult state of the UK frozen food market, more radical action than last year's stringent cost cutting is needed to restore the division to health.

RTZ Corporation, the world's biggest mining company, is expected to report on Thursday interim pre-tax profits down as much as 40 per cent to £164m.

RTZ draws more than one-third of its profit from copper, which has fallen in price from a 1990 average of \$1.21 a lb to about \$1.06 so far this year. Another big chunk of RTZ's earnings are provided by CRA, the Australian resources group, which this week reported interim profits down by half which will see its contribution to the UK company down from £70m to £31.5m.

The wide range of estimates for the Prudential's interims to the end of June – from £110m to £150m (£126.7m) in pre-tax profits – reflects City uncertainty about the extent of subsidence losses and deterioration in underwriting in non-life insurance. A rise in interim dividend to 3.8p (3.5p) is expected despite the present trading difficulties.

UK COMPANIES

TODAY

COMPANY MEETINGS:
Cupid, Metcalf Drive, Altham, Accrington, Lancs., 10.30
Dalepak Foods, Kirkby Fleetham Hall, Kirkby Fleetham, North Allerton, N. Yorks., 12.00
Intl. Business Comms., Cafe Royal, Regent Street, W., 10.00
Platon Intl., Platon Park, Viables, Basingstoke, Hants., 11.30
Siebe, Savoy Hotel, Strand, W.C., 12.00

BOARD MEETINGS:
Finals:
Arcadian Intl.
Close Bros.
Goodhead
Haynes Publishing
Interims:
British Vita
Candover Invs.
Caverdale
Evans Halshaw
Fairey
ISA Intl.
Linread
Manders
Perkins Foods
Sherwood Computer Servs.
Sindall (Wm.)
Suter
USDC Inv.
Wilson Connolly

TOMORROW

COMPANY MEETINGS:
AAH Hldgs., Cafe Royal, Regent Street, W., 12.00
AIM, Great Eastern Hotel, Liverpool Street, E.C., 12.00
Birse, The Brewery, Chiswell Street, E.C., 12.00
Booth Inds., Pembroke Halls, Worsley, Manchester, 11.30
FKI, Pennine Hilton National, Ainley Top, Huddersfield, 12.00
Nobo, 38, St. Leonards Road, Eastbourne, 12.00
Savills, 25, Finsbury Circus, E.C., 12.00

BOARD MEETINGS:
Finals:
Adscene
Cantors
Haggas (John)
Macro 4
Micklegate
Interims:
Arjo Wiggins Appleton
Beattie (James)
Delta
Ferrum
Gaskell
Herring Son & Daw
Home Counties News.
Lambert Howarth
Merchants Trust
PCT
P-E Intl.
Page (Michael)
Parambe
Pittard Garnar
Robinson Bros.
Savoy Hotel
Scottish Heritable Tst.
Severfield-Reeve
Singer & Friedlander
TLS Range
Templeton Galbraith

WEDNESDAY SEPTEMBER 11

COMPANY MEETINGS:
Christie Group, Pinder House, Silbury Boulevard, Milton Keynes, 10.00
Fleming Intl. High Income Inv. Trust, 25, Copthall Avenue, E.C., 12.00
Maxwell Communication, Mirror Building, 33, Holborn, E.C., 12.00
Scott Pickford, 256, High Street, Croydon, 2.00
South West Water, English Riviera Centre, Torquay, 11.00
Wagon Indl., Park House Hotel, Shifnal, Shropshire, 11.00
Wyko, Birmingham Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 12.00

BOARD MEETINGS:
Finals:
JF Philippine Fund
Moyneux Estates
Northern Indl. Impr. Tst.
Interims:
Abbeycrest
British Aerospace
Bunzl
Cadbury Schweppes
Caird
Cakebread Robey
Caparo Inds.
Celestion Inds.
Costain
Enterprise Oil
Erith
Gowrings
Harrisons & Crosfield
Hewitt (J.)
Iceland Frozen Foods
Invergordon Distillers
Kleinwort Smaller Co's
Linton Park
Nurdin & Peacock
Ocean
Plaxton
Prudential Corp.

THURSDAY SEPTEMBER 12

COMPANY MEETINGS:
Courts (Furnishers), Barber-Surgeons Hall, Monkwell Square, Wood Street, E.C., 11.00
Druck Hldgs., Fir Tree Lane, Groby, Leicester, 12.00
Gibbon Lyons, 22, Coleman Fields, N., 12.00
Goode Durrant, Strand Palace Hotel, Strand, W.C., 11.00
National Power, Wembley Conference Centre, N.W., 11.00
Northamber, 1, Lion Park Avenue, Chessington, Surrey, 12.00
Northern Electric, *Northumbria Centre*, Stevenson Indl. Estate, Washington, Tyne & Wear, 11.00
Prior, 21-22, Grosvenor Street, W., 12.00
Tiphook, Forte Crest St. James Hotel, 81, Jermyn Street, S.W., 9.30
Turnbull Scott, General *Council of British Shipping*, 30-32, St. Mary Axe, E.C., 12.00
Vardy (Reg), Emmanuel College, Lobley Hill, Gateshead, 12.00
Wintrust, 21, College Hill, E.C., 12.00
YRM, 24, Britton Street, E.C., 11.30

BOARD MEETINGS:
Finals:
Glaxo
Precious Metals Tst.
Sirdar
Stormgard
Interims:
Assoc. British Ports
Baird (Wm.)
Bletchley Motor
Brammer
Canning (W.)
Cannon St. Invs.
Cussins Property
Emess
Estates & General
Great Southern
Haden MacLellan
Hartons
Highlands & Lowlands
Laing (John)
Legal & General
MTL Instruments
Mandarin Oriental Intl.
Matthews (Bernard)
Micro Focus
NEI
Portals
RTZ
Rathbone Bros.
Refuge
Rolls-Royce
Royal Dutch Petroleum
Shell Tansport & Trading
Swallowfield
TT
Utd. Biscuits

FRIDAY SEPTEMBER 13

COMPANY MEETINGS:
Amberley Group, Hilton *Intl., Manchester Airport*, Ringway, Manchester, 11.00
Hampson Inds., Penns Hall Hotel, Penns Lane, Sutton Coldfield, Birmingham, 12.00
London Intl. Group, Grosvenor House Hotel, Park lane, W., 11.30
Radiant Metal Finishing, 69, Fairfield, Bow, E., 10.30
Tops Estates, 77, South Audley Street, W., 11.00
West Trust, General Council of British Shipping, 30-32, St. Mary Axe, E.C., 10.00

BOARD MEETINGS:
Finals:
Walker (Thomas)
Interims:
Acsis
Berry Starquest
Elys (Wimbledon)
European Project Inv. Tst.
Filofax

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

TODAY

Anheuser-Busch 28cts.
Bulmer (H.P.) 5.15p
Eksportfinans $14\frac{1}{2}$% Nts. 1993 $7\frac{1}{4}$pc.
Fuji Int. Fin. $8\frac{7}{8}$% Gtd. Bds. 2001 $4\frac{7}{16}$pc.
Gen. Motors Acceptance Canada $11\frac{7}{8}$% Nts. 7/8/95 $5\frac{15}{16}$pc.
Harris (Philip) 3.75p
Investors Cap. Tst. 1.275p
Lex Service 4p
MS Intl. 1.5p
Moorgate Inv. Tst. 3.8p

TOMORROW

Allied-Signal 45cts.
Chevron 82.5cts.
Cupid 3p
Dun & Bradstreet 54cts.
Exxon 67cts
General Motors 40cts.
Do. Bdrs 2cts.
Grace (W.R.) 35cts.
Houston Inds. 74cts.
Lilly (Eli) 50cts.
Mobil 80cts.
Prism Leisure 3.45p
Republic New York 35cts.
Scott Paper 20cts.
Sun Co. 45cts.
Tenneco 80cts.
Texaco 80cts.
Time Warner 25cts.
Travelers Corp. 40cts.
Treasury $5\frac{1}{2}$% 2008/12 $2\frac{3}{4}$pc.
Utd. Technologies 45cts.
Warner-Lambert 44cts.

WEDNESDAY SEPTEMBER 11

Aegon DFl. 2.2
Bancal Tri-State Dual Basis Bds. 2000 \$387.17
Bank Leumi (UK) 4.5p
Bank of Ireland Und. Fltg. Rate Prim Cap. Nts. \$164.51
Blick 2.6p
Brit. Telcom 8.05p
Chase Manhattan Fltg. Rate Nts. 2009 \$161.32
Lawson Mardon Class A Sub Vtg. 10cts.
News Corp. 5cts.
News Intl. 2.3202p
Woolwich Bldg. Society Fltg. Rate Nts. 1994 £281.99

THURSDAY SEPTEMBER 12

Christiania Bk. OG Kreditkasse Fltg. Rate Sub. Nts. 1994 \$351.39
Do. Fltg. Rate Sub. Nts. 2001 \$341.81
First Interstate Overseas Gtd. Fltg. Rate Sub. Nts. *1995 \$161.32*
Fleming Int. High Inc. Inv. Tst. 1.705p
Goring Kerr 5p
Greenfriar Inv. 2.1p
Lancs. & London Inv. Tst. 1p
Midland Intl. Fin. Service Gtd. Fltg. Rate Nts. 1999 \$348.19
Monsanto 52cts.
RBC North American Fd. Ptg. Rd. Pf. 13cts.
Royal Bk. of Scot. Und. Fltg. Rate Prim. Cap. Nts. 11.23994pc.
Royal Trustco Fltg. Rate Sub. Cap. Debs. 2085 \$352.67
State Bk. of New South Wales $14\frac{1}{4}$% Nts. 1994 $7\frac{1}{8}$pc.

FRIDAY SEPTEMBER 13

Bankers Tst. New York Fltg. Rate Sub. Nts. 2000 \$161.32
Brunner Inv. Tst. 2.2p
Buffels Gold Mining 30cts.
CSX Corp. 35cts.
Carclo Eng. 6.1p
Dana Corp. 40cts.
Elandsrand Gold Mining 15cts.
Grootvlei Proprietary Mines 30cts.
Morrison (Wm.) Supermarkets $5\frac{1}{4}$% Cm. Rd. Cv. Pf. $2\frac{5}{8}$pc.
Okobank Osuuspankkien Keskuspankki $6\frac{1}{2}$% Nts. 1993 $3\frac{1}{4}$pc.
Racal Telecom 5p
St. Helena Gold Mines 50cts.
Seagram 50cts.
South African Land & Expln. 10cts.
Southvaal 90cts.
Trans-Natal Coal 53cts.
Trinova Corp. 17cts.
Vaal Reefs 435cts.
Wells Fargo Fltg. Rate Sub. Nts. 1994 \$161.32
West Rand Cons. 35cts.
Western Deep 180cts.
Witan Inv. 2.5p
Yeoman Inv. Tst. 5.5p

SATURDAY SEPTEMBER 14

3i $12\frac{1}{2}$% Un. Ln. 1992 $6\frac{1}{4}$pc.
Century leasing (UK) 8.65% Nts. 1995 4.325pc.
Edinburgh Inv. Tst. 3.65% Cm. Pf. 1.825p

SUNDAY SEPTEMBER 15

Funding 6% Ln. 1993 3pc.
Gartmore American Securities $11\frac{3}{8}$% Db. 2014 $5\frac{11}{12}$pc.
Pennzoil 75cts.
Province de Quebec $12\frac{1}{4}$% Ln. 2020 $6\frac{1}{8}$pc.
Sweden (Kingdom of) $9\frac{3}{4}$% Ln. 2014 (Reg) $4\frac{7}{8}$pc.
TRW 45cts.
Treasury 9% Ln. 1992/96 $4\frac{1}{2}$pc.

LEGAL NOTICES

No. 007078 of 1991
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF THE
PRESS ASSOCIATION LIMITED
and
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 29th July 1991 confirming the reduction of the capital of the above-named Company from £1,250,000 to £1,102,300 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 21st August 1991.

Dated this 4th day of September 1991

Biddle & Co
1 Gresham Street
London EC2V 7BU

Solicitors for the above-named Company

RENTALS

CLUBS

CONTRACTS & TENDERS

PETROLEOS MEXICANOS
TENDER NO. STI/PE 060991

Petroleos Mexicanos, The Mexican National Oil Agency invites all interested parties to bid for supplying in a engineering, procurement and construction "EPC" contract for a three continuous catalyst regeneration modules (CCR) for three platformers units located at: Salamanca, Minatitlan and Cadereyta refineries.
Information related to this project is available from:
Pemex Services Europe Limited
2nd floor,
4&5 Grosvenor Place,
London SWIX 7HB
Tel: 071 823 2242,
Fax: 071 823 1813
Contact: Mr Gustavo Mohar

APPOINTMENTS

Changes at electricity company

■ NORTHERN IRELAND ELECTRICITY has made a number of executive appointments. Following the deputy chairman and chief executive Mr Tony Hadfield's appointment as managing director of Northern Electric from October, the board of NIE is making the temporary appointments of Mr Jimmy McIlwaine as acting chief executive responsible for day-to-day operations and Mr Jack Zuckernick as acting managing director responsible for privatisation.

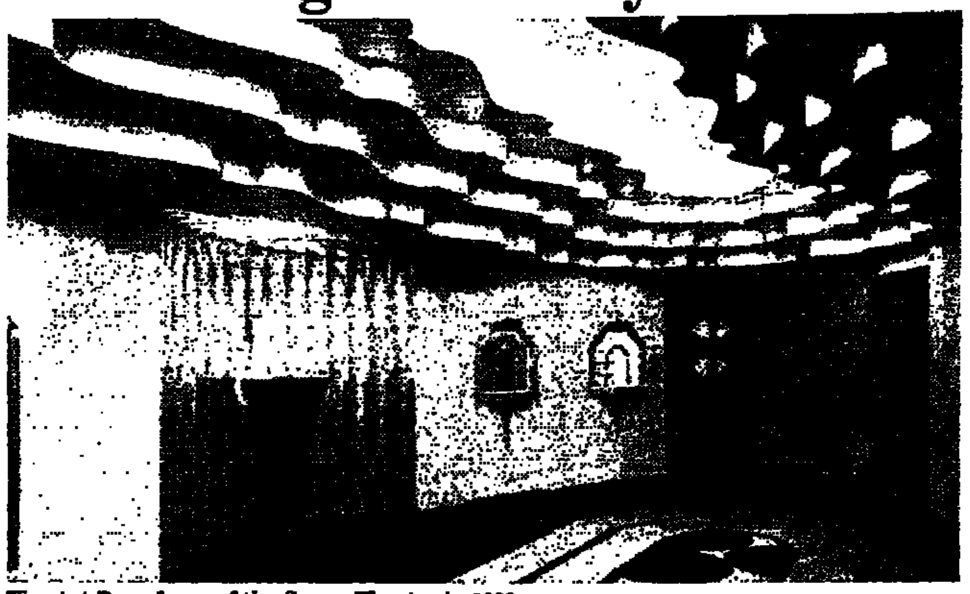
The appointments will be effective from mid-October until the apppointment of a permanent chief executive. Mr Walter Campbell has been appointed generation director and Mr Walter McClay will take over Mr Zuckernick's position as acting supply director.

■ ALEXON GROUP has appointed Mr Peter Ridsdale as managing director of Alexon Brands following Ms Ruth Henderson's promotion to chief executive. Mr Ridsdale has spent the last six years with the Burton Group and is currently managing direcor of Evans, the womens fashion chain and the "Is" discount chain.

■ BRAITHWAITE, a leading industrial services company, has appointed Mr R.D.C. Hubbard as a non-executive director. Mr Hubbard will assume the chairmanship on October 1 on the forthcoming retirement of Mr Ken Lindon-Travers.

CONSTRUCTION CONTRACTS

Rebuilding the Savoy Theatre



The Art Deco foyer of the Savoy Theatre in 1929

BOVIS CONSTRUCTION has been awarded a £11.4m contract to rebuild and restore the fire damaged Savoy Theatre in the Strand, London.

Built in 1880 and refurbished in Art Deco style in 1929 by the artist and designer Basil Ionides, the theatre was badly damaged by fire in February 1990.

Bovis recently began work on the 86-week project, first salvaging the original fixtures and fittings from the dressing rooms and then demolishing the stage and clearing out the burnt remains of the auditorium.

As well as the restoration work on the theatre, two new storeys will be added above the auditorium, one to house offices, a bar, toilets and plant, and the other to serve as a leisure and sports centre - complete with swimming pool - for the adjoining Savoy Hotel.

A large transfer deck composed of metal plate girders, 3.5 metres deep, supported on six steel columns positioned outside the auditorium on piled foundations so that they do not obstruct views of the stage, will help support the new storeys.

New air conditioning will be installed and new services provided throughout the theatre, which is scheduled to open in January 1993.

£36.3m workload for Lilley Group

LILLEY has won £36.3m worth of contracts during the months of July/August.

The most significant contract was won by Lilley Scotland for £8.6m, at the BP Kinneil terminal expansion.

Eden Construction has been awarded contracts worth £13.3m, two of which, worth £4.2m, are for road maintenance and reconstruction: maintenance on the A1(M) at Blackfell; and reconstruction work on the M6 between junctions 40 and 42.

Lilley Midlands has won £5.6m of orders, covering a wide range of projects including a £2m A1 road maintenance contract at Blyth.

Edinburgh theatre restoration

TEAM SERVICES has won contracts worth £20m, the largest of which involves the reconstruction and refurbishment of Edinburgh's Empire Theatre.

Team will project manage the £14.5m task on behalf of a trust company to be set up by Edinburgh District Council, Lothian and Edinburgh Enterprises, the Scottish Arts Council and the private sector.

The project will create a 2,000 seat theatre with attractive foyers and a new stage house and dressing room block capable of hosting major international touring opera and ballet companies.

Also in Scotland Team will project manage construction of the 40 bedroom Isles of Glencoe Hotel and leisure complex at Ballachulish on the shores of Loch Leven for Glencoe Adventure. The £2m scheme includes an indoor swimming pool and leisure club.

At Holbeach, Lincolnshire, Team is to design and construct a large chilled salad and vegetable preparation factory for Tinsley Foods. Air conditioning and insulated walls will maintain temperatures.

ARCHITECTURE

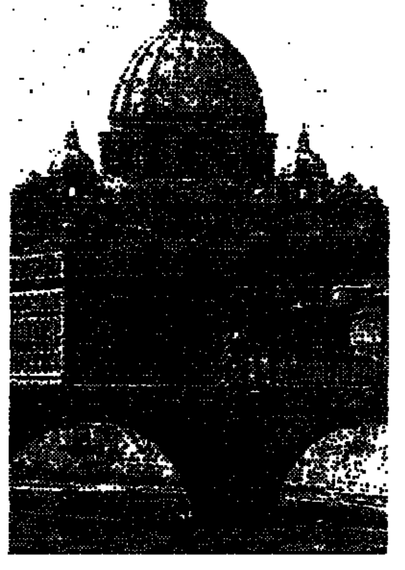
The pleasures of Rome renewed

There is one face that stands out in the Roman crowd this summer. The piercing eyes and clear countenance of Gianlorenzo Bernini dominate the loan exhibition of old master drawings from Oxford's Ashmolean Museum, showing at the Palazzo Ruspoli until September 15. The striking face of one of the most brilliant of Rome's architects leaves such an indelible impression that he almost overshadows the glorious works by Raphael, Michelangelo and Dürer that have been sent from Oxford.

The Palazzo Ruspoli was built in the late 16th century on the Largo Goldoni by the Florentine architect Bartolomeo Ammanti and it is famous for the great series of allegorical frescoes by Jacopo Zucchi that decorate the gallery. The palace has recently been opened for exhibitions under the auspices of the Memmo Foundation. A series of rooms has been well arranged and lit for the Ashmolean show. The drawings seem to have acquired a new lease of life by being shown against a strong and stylishly Italian background of blue watered silk.

Bernini is not the only architectural figure from Oxford to be in Rome this September. Twenty-five students from nine countries, who make up this year's Prince of Wales's Summer School in Civil Architecture, have come to Rome from Magdalen College, Oxford. In Rome they are being tutored from the sources of classical architecture, and they will spend the last week of their course at the remarkable Villa Lante, north of Rome, lent to the school by the Italian government.

Readers of this column might have enjoyed the sight of their correspondent *in hard hat, clambering on a specially* erected scaffolding to witness the accurate measuring by the students of Bramante's cloister of Santa Maria della Pace. There is nothing to beat closely observed architectural details, and the cloister, which was built by Bramante in 1500, reveals both the simplicity and



the complexity of the proportional language of classicism. It was Bramante's first work in Rome and was based on his last work in Milan at San Ambrogio. It is the placing of the slender column of the upper loggia directly over the centre of the arch beneath that gives this apparently simple cloister its extraordinary sense of life.

The student's other Roman project is to design a home for a new school of architecture on a currently vacant site on the Via Guilia. The challenge is to design a new building that will appear *to belong in this 16th century street.* It is one of the most handsome streets in Rome and the only one that retains along the whole kilometre of its straight length a sense of one of those artificial theatre perspectives. Standing in the street is actually like being on the stage set that Palladio designed for the Teatro Olimpico in Vicenza.

Rome is probably the only place in Italy where architecture and theatre work as partners to make the whole city a magnificent stage for civic performances of baroque intensity. It is a particular pleasure this year to see two great masterpieces of western architecture emerge at last from years behind the restorers scaffolding.

The facade of San Andrea della Valle on the Corso Vittorio Emanuele is familiar as the backdrop to the first act of *Tosca*. It has been hidden away for restoration for a long time and today it looks as new and as remarkable as it must have looked when it was eventually completed in the second half of the 17th century. It has a complicated architectural history, and what we see today is the result of the combined efforts of three architects, Maderno, Rainaldi and Fontana. It now looks quite sumptuous, with every detail of the sculpted figures by Ferrata revealed.

The strange asymmetry of the facade results from the presence of a carved angel only on the left hand side of the facade without a matching one on the right. The story has it that the sculptor was so offended by papal criticism of his first angel that he refused point blank to carve the second one to balance the composition. Artist-client relationships were as difficult then as they are now.

The other great revelation in Rome is the emergence from its scaffold of the masterpiece of Borromini – San Ivo della Sapienza. This church was built at the end of the courtyard of the Palazzo della Sapienza between 1642 and 1660. It is one of the most daring and original designs in western architecture and to *see it so immaculately restored is a joy.* Perhaps its most famous feature is the spiral that twists heavenwards from the lantern. It seems to suggest both the flames that consumed the martyrs and some kind of slippery ramp for angels to slide down from heaven.

The central ground plan of this church is in the form of a hexagon of six triangles that is surrounded by a circle with both concave and convex surfaces. Because of the cramped nature of the site, Borromini could not support the thrust of the dome with buttresses, which explains the unusually solid nature of the support for the cupola. Whether Borromini knew about the ancient circular temple of Baalbek as a source for this design is a matter for speculation. The symbolism of the geometry of this church is also highly debatable and endlessly fascinating. It is still difficult to see the interior of this church, although there is a regular Sunday mass held there. But search out the courtyard of the palace on the Via della Sapienza for a bright new vision of one of the most original buildings in the world.

Renewal and restoration seems to be the theme in Rome at present. I was interested to see the interior of the recently renovated Palazzo della Esposizioni on the Via Nazionale. This was one of the great late 19th century public buildings built after the unification of Italy. The architect was Pio Piacentini and his work, like that of the prolific Gaetano Koch, is the subject of serious reappraisal by scholars and critics. The scale and impact of 19th century classicism on Rome after the unification of Italy, was staggering and it clearly is time to look closely at that neglected period of Rome's architectural history. The revamping of the Palazzo della Esposizioni was carried out by Professor Dardi, who has imposed an elaborate high-tech lighting and air conditioning grid on the building that bears little relationship to the classical revival style of the original. But what*ever is done in Italy is done with* panache and a faith in the almost divine qualities of good design. Rome renews itself all the time and so is always the most rewarding of architectural experiences.

Colin Amery

Our Town

SHAFTESBURY THEATRE

The upturn in the London theatre continues apace. This revival of Thornton Wilder's classic, *Our Town*, at the Shaftesbury is even closer to the ideal production than Ibsen's *Hedda Gabler* at the Playhouse.

Wilder wrote in his preface to the play that his picture of life in a New Hampshire village is an "attempt to find a value above all price for the smallest events in our daily life". Although he modestly admitted to drawing a little from Dante, the closest literary analogy is probably with Gray's "Elegy Written in a Country Churchyard". The play starts as a comedy; it is an elegy that it ends. But it is a great deal more than that.

Wilder also claimed that he was making fun of old-fashioned playwriting. In this New Hampshire village there are no nervous breakdowns *à la* Ibsen, only birth, life and death. There is a stage manager, played here with a supreme mixture of relaxation and self-confidence by Alan Alda, to explain that to you. You must, he suggests, remain detached rather than become too caught up with the characters, all of whom are destined for the churchyard in the end.

The genius of the play lies in combining two approaches. Most of the characters in *Our Town* are fully developed. Yet above them there is the stage manager making comments and reminding you of the transience of life. He also makes fun of conventional stage devices, like saying you can have scenery if you want to and it drops from the flies.

The large stage at the Shaftesbury is ideal for this production. It is possible to have two households side by side, again with the minimum of props, seemingly living independently, then for them to coalesce.

When it comes to the wedding in the Congregational Church, a suitably modest stained glass window is introduced. It is this restrained use of scenery that makes it so effective when it appears.

Alastair Muir

Alda, Jemma Redgrave and Robert Sean Leonard

The congregation at the wedding sit with their backs to the auditorium; only a neighbour, Mrs Soames (played by Helena McCarthy) keeps up a commentary, talking directly to the audience. In a folksy way, she has become for a while the stage manager. The real stage manager is conducting the wedding ceremony.

Wilder stressed in his preface the importance of numbers in his text. They abound, sometimes comically like married people having shared 50,000 meals together, but also seriously to show the billions of people who have lived in destiny obscure. The elements are also there: indeed the weather is seldom far from the text, for it is a play about nature.

Alda is, I think, the only American in the cast. A tall man, he moves in the most pleasantly shambling way. He never patronises either the audience or the characters. His performance is gentle throughout, yet at times he commands the stage on his own, even when speaking almost from the wings. He has detachment without arrogance.

It is almost incidental that everyone else is English, perhaps even a benefit, since the point is that the experience is universal. Jemma Redgrave stands out as Emily, the girl who dies in childbirth, yet reappears for the third act. Robert Allan Ackerman directs and no-one falls short. As a play, *Our Town* is in a category of its own. It is hard to imagine that anyone could fail to be entranced.

Malcolm Rutherford

Tippett's 'Byzantium'

ROYAL ALBERT HALL, RADIO 3

Andrew Porter greeted Tippett's setting of W. B. Yeats on this page when it arrived in New York in April, a few days after the world premiere in Chicago. The first performance in Europe took place at the Proms on Friday; as in the US, it was sung by Faye Robinson, here with the BBC Symphony Orchestra under Andrew Davis.

In a fascinating programme note, Meirion Bowen described Tippett's setting as thriving on the "Yeatsian polarity between the actual and the visionary", a return to self-contained musical utterance after the large-scale extra-musical explorations implicit in *The Mask of Time* and *New Year*.

Certainly *Byzantium* seems more sustained and concentrated than either of those. The five stanzas are shaped into a satisfying arch, linked by the tersest of interludes, interlaced by recurrent motives; the musical ideas are vivid and potent, the vocal lines richly complex. The brass calls that summon the image of the holy city in the introduction are cousins of the fanfares conjuring up Troy at the opening of *King Priam*, while the rich-textured string chords that underpin the soprano's ripest lyricism have the luminous intensity of the great set-pieces of *The Midsummer Marriage*.

For though the sound world of *Byzantium* is typical of Tippett's scores of the 1980s, it is *The Midsummer Marriage*, almost 40 years older, that seems its closest spiritual twin. The libretto of that opera ends with a couplet from another Yeats poem, and the shapes and inflections of the new vocal line bring together elements from the arias for both Jenifer and Sosostris, drawing upon the firm-footed reality of the one, the unblinking visions of the other. It is a compelling piece of artistic renewal, as beautiful as anything Tippett has written for two decades.

Robinson was a wonderfully agile interpreter, better balanced in a tape of the Radio 3 relay than she was in the hall but still unclear in her enunciation. The words as launch-pads for the music need to be heard; *Byzantium* magically fuses the two.

Andrew Clements

Moscow Festival Ballet

GUILDFORD CIVIC HALL

For dance-lovers, one of the most intriguing aspects of perestroika has been the increased freedom for Soviet dancers to venture into the west. Over the past few years we have seen artists given a chance to find work for themselves, to accept responsibility for their theatrical destinies. Touring companies have sprung up – some of them no more than a convenient agglomeration of dancers eager to find new opportunities and hard currency – to satisfy a seemingly insatiable appetite for "Russian ballet". There are problems inherent in this situation, not least the limited repertory available (the old classics have to be the staple fare), but we are at an historic moment when real possibilities for artistic exchange can bring huge benefits to both Russian and western ballet.

Significantly, four Moscow-based troupes are to be seen in Britain during this autumn. I caught up with a regional tour by *Moscow Festival Ballet at* Guildford on Friday night. The company is in its third year of existence, boasts some 36 dancers, and offers the statutory classical gems to its public, with no stage design but an adequate orchestra. There is nothing wrong with that, since the troupe is clearly intended to play in medium-to-small locations. The Civic Hall in Guildford can accommodate – just – the 18 swans who are the complement for the second act of *Swan Lake*, which opened the evening, and I respect the way in which the well-drilled ensemble preserved the outlines of the traditional Soviet text. The joy of the occasion was to find that the company – which visited Britain briefly last year – had acquired Lubov Kunakova as a guest. A senior ballerina of the Kirov, she shone in *Swan Lake* during the company's Coliseum visit last year. In the close quarters of the Civic Hall she yet produced a reading whose distinction of means had an Ingres-like clarity and unerring line. She was well partnered by the elegant Viktor Fedorchenko.

The rest of the evening brought an assemblage of classical divertissements, with numbers extracted from *Bayadere, Laurencia, Giselle* and *The Flames of Paris*. This last brought some enchanting dancing from two young artists whom I hope I have correctly identified as Marina Shebolenkova and Sergey Savoschenko. (The programme book is a mine of alternative castings and disinformation; a hurried *listing of events from the stage* is impossible to follow). Both Shebolenkova and Savoschenko were bright, fresh, infectiously happy in their technical prowess, and they nipped through difficulties with the sweetest zest. There was also, of course, Fokine's Swan *in extremis*. The text was distinctly odd; the dancing by the Lithuanian ballerina Yolanta Valekaite – whom I admired last year with the company – was distinguished by its restraint and lyric elegance.

Clement Crisp

Symphony for the Spire

SALISBURY CATHEDRAL

The Prince of Wales is in the ideal position to make people offers they cannot refuse and his invitations to selected artistes to get down to Salisbury and sing for the spire produced the kind of bill usually compiled by theatrical agents suffering from *delirium tremens*.

There were Domingo and Jessye Norman as the heavies from the operatic world; Charlton Heston and Kenneth Branagh to represent the stars of stage, screen, and pseudery; Peter Donohoe and Ofra Harnoy striking up for the concert platform; and Phil Collins representing the common man, millionaire class.

Aided by more than 10,000 charitable groupies, Friday's *gala in the Cathedral Close* should produce most of the £1.5m. still needed to ensure that Salisbury's wobbly 400-foot spire lifts the spirits for another seven hundred years.

Speeded on its way by a prayer from the Dean, the occasion was more pleasurable than most command performances, when everyone is on their best behaviour and playing safe with party pieces.

The quality of the artistes virtually guaranteed success, especially if you were sitting in the second row and could see Domingo's chest inflating as he pulled himself together for the high notes of Verdi and Puccini. He judged the audience well and ended with the schmaltzy "Be my love", ensuring a bigger ovation that that commanded by Norman who stuck to the class stuff, four songs by Richard Strauss.

But while the great voices brooked no critical argument, the evening was made by Phil Collins. Slouching on to a stage emptied apart from his piano, this "decent bloke" was the first performer to notice the crowd. He had been preceded by Charlton Heston describing the entry of the Israelites into the Promised Land with a dramatic frenzy which would ensure rapid promotion among the less inhibited Scottish Elders. Collins lowered the *tone nicely:* "A hard act to follow, God" – leaving it open as to whether he was referring to the jut-jawed, burning-eyed, Heston or to the Almighty. He then invited us all back next week for a similar benefit for the roof of his house.

After Collins everyone relaxed and enjoyed themselves. You could even forgive Branagh's knowing smile as he declaimed the best bits from *Henry V*, against Patrick Doyle's exhilarating music, from his recent film about our director's crusading ancestor.

But with Handel's firework music (boisterously played by a hard worked English Chamber Orchestra under Richard Armstrong) dispatching rockets by the hundred into the sky and *Jerusalem* to finish off the evening, any incipient tedium was scotched.

Indeed, the vocal fervour with which the audience took up Blake's passionate dedication to his native land, inspired, no doubt, by the visual beauty of the setting, the emotional uplift from the performers, and the justice of the cause, suggested that the Prince of Wales had touched the right popular nerve through this ambitious event.

Antony Thorncroft

Boston Symphony Orchestra

ALBERT HALL/RADIO 3

On this showing, the Boston Symphony justifies its place in the first division of international orchestras with ease. The equality of tone and certainty of phrasing which run deep through its ranks are mightily impressive, a feature which seems to be peculiar to the best of the American orchestras, where no hint of slackness is ever felt. The Boston SO certainly carries no passengers and that is the source of its strength.

So any doubts about this concert must be addressed to the conductor. When Seiji Ozawa visits us, he is invariably at the head of a top foreign orchestra. He gets each to play exceptionally well. He can conjure clouds of wondrous sounds and myriad sparks of orchestral virtuosity with a wave of his baton in the manner of the best orchestral magician. But somehow he manages to produce a dead rabbit out of the hat almost every time.

This programme opened with Beethoven's Eighth Symphony, which encapsulated all his strengths and weaknesses. In many ways it was an exemplary performance, full of energy and still with time to savour lyrical moments; but every dramatic gesture was so well rehearsed and produced to order as to deny it any force at all. The fiery exhilaration of great Beethoven conductors like Jochum or Sanderling was simply not there.

In the second half Berlioz's *Symphonie fantastique* did come alive in a genuinely frenzied ending, though the earlier stages had again been too neatly *calculated*.

Technically the standard of playing was first-rate. The lead trumpet consistently performed marvels, as did the devilish E flat clarinet in the witches' sabbath, while the clarity which allowed them to be heard so easily was a tribute to all the other musicians. Ozawa, as the Boston Symphony Orchestra's Music Director since 1973, must take his own share of the credit for that. His and the orchestra's fortunes are inextricably bound up together.

Richard Fairman

Jazz at UCS

Autumn jazz concerts on Thursdays at University College School Theatre, Frognal, NW3, feature singer Marlene ver Planck (September 19), trumpeter/flugel-hornist Art Farmer (October 3), Harry Gold and His Pieces of Eight (October 10), the Ronnie Scott sextet (October 17), singer Elaine Delmar (October 31) and tenor-saxophonist Spike Robinson (November 7).

Further details and tickets from UCS, Frognal, Hampstead, London, NW3 6XH.

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

AMSTERDAM

Muziektheater 20.15 Dutch National Ballet in works by William Forsythe, Hans van Manen, Toer van Schayk and Balanchine. Repeated on Wed, Thurs, Sat and Sun (6255 455/credit card bookings 6211 211)

BERLIN

MUSIC

Staatsoper unter den Linden 19.30 Fabio Luisi conducts Il barbiere di Siviglia. Tomorrow and Wed: Die Zauberflöte. Thurs: Die Fledermaus. Sat: Swan Lake. Sun: La traviata (East Berlin 2004 762)

Deutsche Oper 19.30 Stefan Soltesz conducts Götz Friedrich's production of Aida, with a cast led by Julia Varady, Kristian Johansson and Simon Estes. Tomorrow: Gwyneth Jones sings Elektra. Wed and Thurs: Mozart soirée. Fri: Die lustigen Weiber von Windsor. Sat: Giselle. Sun: Katya Kabanova (West Berlin 3410 249)

Schauspielhaus 20.00 Claus Peter Flor conducts the Berlin Symphony Orchestra in Mozart's Piano Concerto No 26, with soloist Annerose Schmidt, and Shostakovich's Tenth Symphony. Repeated tomorrow and Wed. Thurs and Fri: Simon Rattle conducts the City of Birmingham Symphony Orchestra. Sat and Sun: Giulini conducts the Berlin Philharmonic (East Berlin 2272 261)

Philharmonie Kammermusiksaal 20.00 Chamber Orchestra of Europe plays Vivaldi, with Douglas Boyd oboe and Marijke Blankestijn violin. Wed, Thurs, Fri, Sun: chamber music concerts. Sat: Roger Norrington conducts the Chamber Orchestra of Europe (West Berlin 2614 383)

THEATRE

East Berlin: this week's repertory at the Berliner Ensemble includes Brecht's Mother Courage on Wed, The Caucasian Chalk Circle on Thurs and Schweyk on Fri (2827 712). The Maxim Gorki Theater has George Tabori's Weismen und Rotgesicht on Wed, Caryl Churchill's Top Girls on Fri and Sun, and Chekhov's Three Sisters on Sat (2082 748). The Volksbühne is showing Schiller's Die Räuber tonight, Molière's Le Malade imaginaire tomorrow and Thurs and Shakespeare's The Comedy of Errors on Fri (2082 748).

West Berlin: tomorrow, the Schiller Theater has Liebe Macht Tod, an adaptation of Shakespeare's Romeo and Juliet by Thomas Brasch, followed on Thurs by Goethe's Iphigenie auf Tauris, with Macbeth on Sat and Sun (3195 236). The Renaissance Theater has Peter Shaffer's Amadeus directed by Gerhard Klingenberg, daily till Oct 29 (3124 202)

COLOGNE

Philharmonie 20.00 James Conlon conducts the Gürzenich Orchestra in Mahler's First Symphony and Mozart's Piano Concerto No 17, with soloist Maria Joao Pires, repeated tomorrow. Thurs: Rene Kollo stars in a concert marking the 100th anniversary of the birth of Richard Tauber, with the Budapest Symphony Orchestra conducted by Hans Richter. Sat: Yo Yo Ma and Christian Tetzlaff play Brahms' Double Concerto in a concert with the Junge Deutsche Philharmonie conducted by Michael Gielen. Sun: Alfred Brendel plays Brahms' Second Piano Concerto (2801)

The Cologne opera season opens on Sep 22 with a new production of Der fliegende Holländer staged by Willy Decker and conducted by James Conlon, with Robert Hale in the title role (221 8400)

FRANKFURT

Alte Oper 19.00 Helmuth Rilling conducts the Stuttgart Radio Symphony Orchestra in a concert *performance* of Dvorak's Dmitrij, with a cast led by Keith Lewis, Pamela Coburn and Cornelia Kallisch. At 20.00 in the Mozart Saal, Vladimir Ponkin conducts a programme of music by contemporary Soviet composers, including Firsova, Denisov and Gubaidulina. Wed: Petr Altrichter conducts Dvorak's Requiem (1340 400)

GENEVA

Grand Théâtre 20.00 Christian Thielemann conducts first night of Pierre Strosser's new production of Der fliegende Holländer, with Jose van Dam in the title role, Linda Plech as Senta, Ben Heppner as Erik and Hans Tschammer as Daland. Runs till Sep 28, with next performance on Thurs (212311)

LUCERNE

Jesuitenkirche 20.00 Paul Sacher conducts the Collegium Musicum Zurich and Basle Madrigals in Mozart's Mass in C minor, with soloists Edith Wiens, Julia Hamari, Marc Clear and Oliver Widmer. Tomorrow and Wed: the Academy of St Martin-in-the-Fields, conducted by Neville Marriner, plays music by Beethoven and Mozart, including the Violin Concerto in A major with Dmitry Sitkovetsky and the Requiem, with Lillian Watson, Carolyn Watkinson, Martyn Hill and Stafford Dean. These are the closing events of this year's Lucerne Festival (041-235272)

LONDON

MUSIC AND DANCE

Sadler's Wells 19.30 Moscow City Ballet opens a two-week London season with The Sleeping Beauty (071-278 8916)

Queen Elizabeth Hall 19.45 Karine Georgian plays Dvorak's Cello Concerto in a concert of Dvorak favourites with the London Festival Orchestra conducted by Ross Pople. Tomorrow: Xue Wei plays Mozart's Violin Concerto K219. Wed: Brian Lemon Octet plays from Basie to Bop. Sun: John Eliot Gardiner conducts Berlioz's Symphonie Fantastique (071-928 8800)

Royal Albert Hall 19.30 Henry Wood Proms: tonight, Colin Davis conducts the Dresden Staatskapelle in Mendelssohn's Hebrides overture, Beethoven's Fourth Symphony and Reger's Variations and Fugue on a Theme of Hiller. Tomorrow: Andrew Davis conducts Nielsen's Fifth Symphony. Wed: Mitsuko Uchida plays Mozart. Thurs: Michael Tilson Thomas conducts Bernstein and Stravinsky. Fri: WNO production of Idomeneo. Sat: Last Night of the Proms (071-823 9998)

THEATRE

Royal Shakespeare Company
In the Barbican main theatre, the RSC is presenting Shakespeare's Richard II each night this week. The production, newly transferred from Stratford, is directed by Ron Daniels, with Alex Jennings giving an acclaimed performance as the young king. In The Pit, Robin Lefevre directs Curse of the Starving Class, Sam Shepard's darkly humurous tale of family life in middle America, with a cast including Susan Fleetwood, George Anton, Michael Gardiner, Alex Kingston and John McEnery (071-638 8891)

MILAN

Teatro alla Scala 20.00 Georg Solti conducts the Scala orchestra and chorus in a concert performance of Die Zauberflöte, with a cast led by Sylvia Greenberg, Edith Wiens, Jard van Nes and Deon van der Walt. Repeated on Wed (7200 3744)

NEW YORK

BROADWAY THEATRE

- City of Angels: Larry Gelbart (dramatist), Cy Coleman (composer), Billy Byers (arranger) and Michael Blakemore (director) are all in top form in this sharp musical satire about Hollywood in the 1940s (Virginia Theater, 245 W. 52nd St., 239-6200).
- Lost in Yonkers: Neil Simon's family melodrama set in Yonkers during the Second World War (Richard Rodgers Theater, 226 W. 46th St., 221-1211).
- Six Degrees of Separation: a dark comedy by John Guare about race, class, money, celebrity and Good Samaritanism, starring Kelly Bishop (Vivian Beaumont Theater, Lincoln Center, 239-6200).
- Miss Saigon: Nicholas Hytner's production starring Lea Salonga and Jonathan Pryce (Broadway Theatre, Broadway at 53rd St., 239-6200).
- Ticketron answers inquiries and sells tickets (246-0102)

VIENNA

MUSIC

Staatsoper 18.30 Peter Schneider conducts Der Rosenkavalier with a cast led by Lucia Popp, Ann Murray, Barbara Bonney and Gunter Missenhardt. Tomorrow: Der fliegende Holländer. Wed and Sat: Otello with Mirella Freni as Desdemona. Thurs: Madama Butterfly. Fri: Hildegard Behrens sings Elektra. Sun: Cav and Pag with Baltsa, Carreras and Cappuccilli (51444 2960)

Volksoper 19.00 Don Giovanni sung in German. Tomorrow: Kalman's operetta Die Csardasfürstin. Wed and Sun: La Cage aux Folles. Thurs: Kalman's Gräfin Mariza. Fri: Wiener Blut. Sat: Die Fledermaus (51444 3318)

Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

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1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

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2220 - 2250 (Wed) Financial Times Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
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1200 International Business Report
2130 (Thurs) Financial Times Business Weekly

SATURDAY

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0900-0930 World Business Today - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
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Sky News
1030-1100 FT Business Weekly

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Monday September 9 1991

With friends like these

THE FOREIGN ministers of the European Community came to Brussels on Friday to discuss how to conclude long-drawn out negotiations on EC association agreements for the three central European states: Czechoslovakia, Hungary and Poland. They saw the need for prompt action to underpin the transformation of these countries into stable market economies and incorporate them within the ambit of the European Community. Then, far from conquering, they ran away from their responsibilities. They refused to agree to liberalisation of imports of food and textiles, preferring instead to postpone the issue until the end of the month.

Many outside the EC take the view that if one scratches the EC one finds little more than a protectionist trading bloc. This is a slander, but by its behaviour in the Uruguay Round of multilateral trade talks within the Gatt, and now again in relation to the countries of eastern and central Europe, the EC has gone some way to make it seem true.

Thus, bowing to pressure from Portugal, the EC ministers decided to delay a decision on ending quotas on central European textiles until agreement had been first reached in the Gatt talks. This is a cunning move: because of the EC's obduracy over farm policy, that agreement looks a long way off.

Risible increase

Similarly, confronted with opposition from France, keenly supported by Belgium and Ireland, the EC ministers failed to agree to allow more imports of meat from central Europe, even though the proposed increase in the first year of the agreement on beef would have been less than 0.01 per cent of EC consumption. True to its farm policy traditions, the plan is for the EC to fund eastern European dumping into the Soviet market instead. But this would be little more than a short-term palliative.

If a relatively poor country such as Portugal or Ireland needs help to adjust to the loss of export earnings, such help should be given. The policy of the EC as a whole should not, however, be held hostage to the sectional interests of small member countries. As for France, arguably the EC's most influential single member, its government needs to close the gulf between its pretensions and its performance on the global stage. The issues at stake are too important for its current political games.

Smug protectionism

The contrast between the scale and political riskiness of the adjustments now occurring in eastern Europe and the smug protectionism of the western part of the continent has, in fact, become little short of scandalous. Countries of eastern and central Europe have experienced huge declines in output, soaring unemployment and the collapse of trade with the Soviet Union. Meanwhile, the EC, gazing fixedly at the navel of its inter-governmental conferences on economic and political union, has failed to begin serious reform of its absurd farm policies. It has been prepared to watch the international trading system disintegrate, and has refused to provide a commitment to open markets for neighbours now painfully emerging from the dark night of communist tyranny.

The countries of eastern and central Europe must suspect that the EC preferred them shackled. Then, after all, its members would not have been required to adjust to increased competition in their farm and textile sectors. But they must also be wondering what they have done to deserve their friends. First, they had to suffer the ineffectual efforts of the western allies to secure their independence before the Second World War. Then they had to accept the embrace of their fraternal Soviet "liberators". Now they have to put up with apparently empty protestations of friendship from the EC.

What the EC is doing is a serious error. The foreign ministers have postponed the issue of the association agreements until the end of the month. What is needed, instead, is a meeting of the European Council, the council of heads of government, devoted to the EC's responsibilities as a trading power at both the regional and global levels. Those responsibilities have been evaded too long; they should be evaded no longer.

The market for votes

THE DATE of the next general election may be in doubt, but the campaign starts today. Britain is occasionally envied, particularly in the US, for the brevity of its electoral process. In the US, squaring up to presidential campaigns seems to start shortly after the mid-term elections to Congress. The British prime minister traditionally announces a date that allows only three or four weeks to polling. This time the parties are off the mark anything between two and six months before the voters are likely to be asked to decide.

They will set out their stalls at the series of conferences that begins with the Liberal Democrats today and ends with the Conservatives on October 11. Contrary to conventional wisdom, the process is likely to reveal important differences between the contenders. The strong ideological currents of the 1980s may have abated, but the next election in Britain will settle more than the technical question of which assemblage of career politicians is best qualified to manage a market economy. The three possible outcomes – a Conservative victory, a Labour victory, or a hung parliament – are not all of a piece.

The Conservatives are better placed to win than they were at the start of the summer, but they have yet to demonstrate that they would promote further radical reforms. Mr John Major has aligned the Tories with the other two parties in the approach to the European Community, although neither he nor the Labour leader, Mr Neil Kinnock, are as gung-ho for federalism as are Mr Paddy Ashdown's Liberal Democrats.

Genuine commitment

Mr Major has drawn the sting of the poll tax. His commitment to higher quality public services is genuine, although there is no indication that taxation will be increased to pay for the necessary improvements in education, health, training, public transport infrastructure, and the like. Mrs Thatcher's abrasive style has been abandoned, but her attempt to introduce quasi-market mechanisms into the social services will continue.

Labour has come a long way since its defeats in the elections of 1983 and 1987. It accepts the market economy, albeit with reservations. It has learned, doubtless from Mrs Thatcher, the value of fiscal prudence. Its proposals for taking public control over water are mitigated by the unlikelihood that it would be able to afford to do so. It is no longer unilateralist; nor does it propose to withdraw from the EC.

Questionable liaison

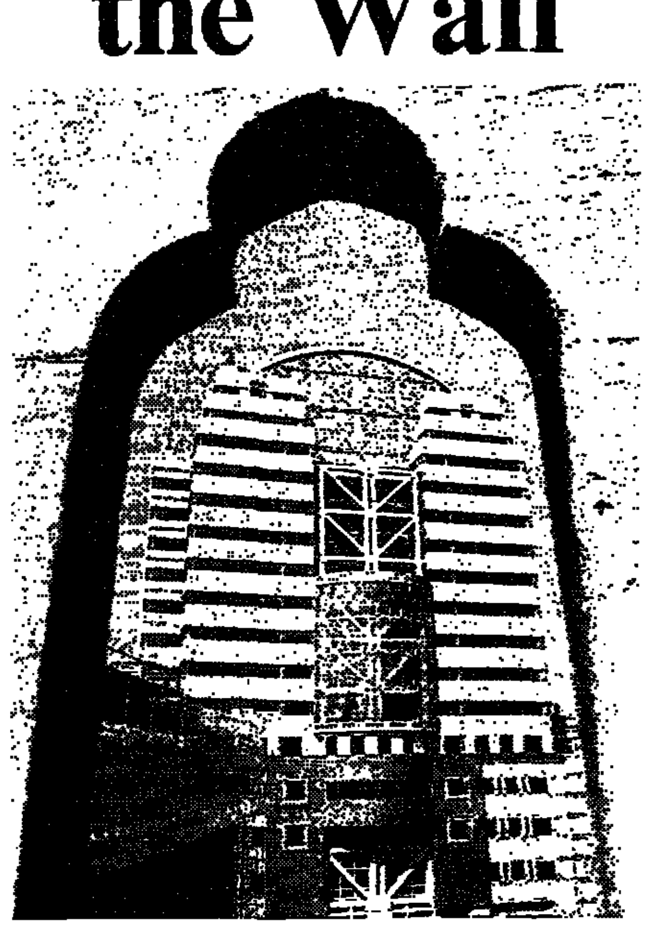
It remains, however, the party of big government, higher taxation and a still questionable liaison with the trade unions. Every problem it perceives is to be solved by a mechanism financed, managed, or promoted by an official body. The top rate of personal taxation would be increased from the present 40 per cent to 59 per cent. As to party management, even when the union vote is reduced, as it will be under present proposals, trade union bosses will remain powerful. The protestation that as prime minister Mr Kinnock would be no pushover for producer interests has to be taken on trust.

With no hope of winning, the Liberal Democrats are best placed to offer radical ideas, not all of them new. They propose a written constitution, a bill of rights, proportional representation, an independent Bank of England and various similar measures designed "to guarantee government by consent, promote stability and encourage long-term planning". Their commitment to a market economy, and particularly to a strong competition policy, monitored by independent agencies, is more clear-cut than that of the Conservatives.

To improve education, they would be willing to raise income tax. To protect the environment, they envisage a gradual shift of taxation away from employers' national insurance contributions and towards taxes on resources. Such proposals may well influence the future policies of the other two parties. Under Mr Ashdown's leadership the third party has recovered enough ground in the polls to be taken seriously as a potential partner for a minority government if there is a hung parliament.

Vanessa Houlder on the biggest monument to London's property glut

Writing on the Wall



Lydia van der Meer

Alban Gate: derided as the City's biggest white elephant

Alban Gate, the latest addition to London's office stock, is an imposing presence on the bleak, windswept expanse of London Wall. Resplendent in pink granite, the twin-towered building with its curved roof and glass belly is one of London's most flamboyant examples of post-modern architecture.

But whatever its architectural merits, Alban Gate is most famous for the jibe that it is the City's biggest white elephant. At 400,000 sq ft, it is the largest empty building in central London.

There has never been a worse time to be looking for tenants in the City. The completion of Alban Gate in November will coincide roughly with the City's highest recorded vacancy rate. It has almost 13m sq ft of unoccupied offices, about 18 per cent of the total stock, according to Debenham Tewson Research, the chartered surveyor. "The figures are by any standard – absolute, historical or whatever – awful," says Mr Chris Walls, an analyst at Salomon Brothers.

The recession has come just at the culmination of the City's biggest building spree. Demand is half what it was three years ago and the trickle of lawyers and financial services companies looking for new space are spoilt for choice.

Officially, MEPC, Alban Gate's developer, is asking for £45 per sq ft in annual rent. Agents and brokers think the company would be lucky to get £40 and it could get as little as £30. Even taking the more optimistic figure, however, the building is unlikely to break even. According to estimates by Kleinwort Benson Securities, it is worth £160m – £50m less than it cost to build.

Sympathy for MEPC's predicament is limited. "Why did they embark on this massive development in the City?" demands Mr Walls, MEPC's most vocal critic. "You cannot justify it. What is the matter with this company? They are incapable of doing the most basic research."

Although MEPC cannot shrug off all the criticisms, it resents the accusation that it charged into the City at the height of the market. "When City rents jumped from £30 to £60 per sq ft following Big Bang, we didn't immediately rush out and buy City sites," says Mr James Tuckey, managing director.

It did see, however, an opportunity to upgrade its existing portfolio in the City, distinguished by the grey, concrete towers characterised by John Betjeman's phrase "rent collecting slabs".

One of the worst was Lee House, which it had owned since July 1985 when MEPC bought English Property Corporation from the Canadian Reichmann brothers. Built in the mid-1960s, it was a shabby glass block on the wrong side of London Wall with neither the air conditioning nor the space for computer cables a modern office needs.

There was not much that could be done with the building. The case for rebuilding seemed evident in the light of the desperate need for new office space on the part of the securities industry. Its headlong growth sent City rents through the roof. These virtually doubled between 1986 and 1988, reaching a peak of £70 per sq ft. Agents speculated that prime City rents would reach £100 per sq ft by the early 1990s.

Pressure from the expanding financial services industry and the growing rivalry of the Docklands inspired a relaxation of the rigid planning controls in the City. In 1986, the City Corporation decided to allow an additional 20m sq ft of office space.

This provided an opportunity for an audacious reworking of the old Lee House. Mr Terry Farrell, the architect, worked out that it would be possible to erect a building on a massive arch straddling London Wall.

The Alban Gate scheme was given planning permission in February 1987 after a 14-month battle. The City Corporation gave MEPC a new 125-year headlease, and the right to land foundations on the south side of London Wall, in return for about 15 per cent of the rental income.

It was one of the first schemes to illustrate the City's new approach. Alban Gate, said Mr Peter Rees, the chief planning officer of the Corporation of London, was the type of building the City needed. "They don't all need to be like that, but we do need some of that size and scale, with their dealing floors and the sort of accommodation they can provide for major bank headquarters," he said.

MEPC decided to go ahead – a decision defended even now by Mr Tuckey. It was not that the company failed to take account of research, but that the research turned out to be hopelessly invalid. With a few notable exceptions, the forecasts made by the companies and chartered surveying firms underestimated supply and overestimated demand.

Even less reliable were predictions about the growth of the financial services industry. As late as 1989, one of the best-known firms of chartered surveyors estimated that financial markets would grow by 10 per cent a year, creating 120,000 new jobs in the City by the mid-1990s.

Events have worked out quite differently. "We did not know that there would be such a shake-out in the financial services industry," said Mr Tuckey. In the teeth of the recession, the financial services sector has been forced to reappraise its strategy. Clearing banks have announced cuts of several thousands jobs, some large overseas banks are rationalising their operations and securities firms are still shedding staff.

The writing has been on the wall for well over a year. But buildings acquire a momentum of their own and property developers find it virtually impossible to adapt to changed circumstances. Delays, however, have made Alban Gate particularly vulnerable. At the outset, it was expected to be finished in early 1990.

Part of the reason for the delay was the innovative and complex design. Mowlem, the contractors, said Alban Gate was "one of the most complex and technically challenging building projects currently under way in the UK".

Its size generated criticisms which continue to circulate around the property market. "Agents have not been deeply impressed. It is deep and dark," is one comment.

"The sheer size is very offputting for most clients. They would rather move into a building that doesn't need further subdivision," says another critic. "Also there is a feeling prevalent amongst one or two people that it has an awful image. It is a white elephant".

The building is also dogged by complaints that it does not have an obvious front door and that its ability to accommodate large trading floors makes it an anachronism.

Some of these gripes are unjustified and have been assuaged as agents tour the building. "The prejudice about darkness and depth has virtually disappeared," said Mr Iain Watters, a director of MEPC.

The charge that Alban Gate was built for dealing rooms is only partially true. From the outset, MEPC tried to ensure that even the three largest floors would be flexible.

As the building nears completion, the lack of an obvious front door may become a virtue rather than a hindrance. The building has two entrances, allowing for arrival from both the road and the walkway network above ground level.

The scale of Alban Gate gives it a vaguely north American character. The impression is appropriate as the oversupplied London market increasingly takes on the shape of its north American counterpart.

As London labours under oversupply figures that are common in the US, landlords have been forced to adopt US-style incentives for tenants, such as rent-free periods, fitting-out costs and taking on tenants' cast-off offices. "Anyone paying, say, £38 per sq ft for Alban Gate would be disappointed to get less than two years rent-free," says a City agent. That is the equivalent of knocking another 40 per cent off the price for the first five years.

Nobody denies that rents are falling in the City. There is less consensus about their long-term future. Mr Tuckey believes that rents will start to rise again in three years, securing the future of Alban Gate, which will be kept as an investment. "I am confident in the long-term future of the City. We have seen cycles before. I think the City will bounce back," he says.

Not everyone is so sanguine. Mr Chris Turner, an analyst at BZW, believes that the creation of new City jobs on the scale of the last two decades is unlikely to be repeated. "Traditionally the City was brilliant because it had tight planning and high demand," he comments. "Now you have neither. I don't think the City will be the same for 10 years."

Beijing's bête noire

Angus Foster on democratic campaigner Martin Lee

Lee: not everyone's hero

MAY I first finish my rice?" After an hour of reminiscences, political philosophy and criticism of the Hong Kong government, Mr Martin Lee turns his attention to his dinner, and falls silent.

Mr Lee, patrician, barrister, democrat, Catholic and idealist, is also the most outspoken local critic of the Hong Kong, Chinese and British governments. His political party, the United Democrats of Hong Kong, is expected to win a majority of the 18 seats on offer this week in Hong Kong's first direct elections. The other seats for the 60-strong ruling council will still be indirectly elected by business and trade groups or appointed by the governor. But Mr Lee's performance in the election will be an important gauge of the desire in the colony for greater democracy.

Mr Lee wants full democracy before Hong Kong is handed back to China in 1997. He is not happy with the pace of reform or with plans for only 20 out of 60 seats to be directly elected in 1995. He talks of the UK's broken promises and says the UK is "kowtowing" to Beijing, most recently during Mr John Major's visit last week.

"It is highly ironic Mr Major is prepared to criticise China's human rights record while continuing to deny Hong Kong, a British colony, the basic human rights of democracy and free elections," he says.

Mr Lee was born in China but came to Hong Kong aged 12 with his father. "Pop" studied in Paris with Zhou Enlai but later joined the nationalists, becoming a general in the war against the communists.

Like father, like son. Mr Lee is detested by Beijing's hard-line leaders. He is regularly attacked in the pro-Chinese press and was expelled from the drafting committee for Hong Kong's mini-constitution, the Basic Law, after his support for the Chinese students during the Tiananmen Square protests in 1989.

Nor does he mince his words now on China's future. "The Pope has said communism is at an end," he says. "And I believe he is infallible."

With conscious irony, Mr Lee bases his ambitions on a quotation from Deng Xiaoping, China's paramount leader: "With a good political system, evil men cannot do evil. Without a good system, even good men cannot do good."

He adds: "That's what Hong Kong needs, a good system. If we have one, it doesn't matter who the [Chinese-approved] chief executive is after 1997. I believe my task is to give Hong Kong this good system."

Mr Lee's new career as a grassroots politician contrasts with his previous life as a successful barrister, with chambers atop a smart skyscraper on Hong Kong island. But he still drives a Jaguar and is always stylishly dressed.

His political aspirations began to germinate in the early 1980s, when many of his friends despaired of Hong Kong's uncertainty and emigrated. "I had to decide whether to join them or to stay. My boy was a baby, and I had enough savings to go anywhere in the world. But I thought, 'What have I paid back to my people, what have I done for Hong Kong?'"

The decisive moment came in November 1985, when a senior Chinese representative in Hong Kong gave a press conference attacking plans to introduce limited democracy. Mr Lee felt impelled to abandon his previous approach of trying to use his links with Chinese leaders as a "bridge" for Hong Kong.

"I thought about standing down from the Basic Law drafting committee and saying nothing. But then I thought, why not fight on? Democracy won't be handed to us on a silver platter: it needs to be fought for."

Most Hong Kong politicians and businessmen would be derided for using such language. Mr Lee gets away with it. In recent opinion polls, he scored a 70 per cent approval rate, enough almost to challenge Hong Kong's traditional icons, the Cantonese language pop singers.

Mr Lee is not everyone's hero. The government and most businessmen dislike him because his outspokenness jeopardises relations with China. The powerful business lobby also questions whether Hong Kong really wants full democracy. Some say Mr Lee's party merely represents the views of a small group of activists, many of whom are idealistic intellectuals. But its campaigning for this week's election has been more successful than expected.

Mr Lee may never get the full democracy he is seeking. According to present plans, the number of directly elected seats will be increased to 20 out of 60 in 1995 and then 30 by 2007. China is most unlikely to agree to further reform. But Mr Lee is clear: he will continue to fight for democracy and for Hong Kong's interests even after 1997.

OBSERVER

Volkswagen's green man

■ The greening of German business continues apace. Volkswagen has won the race to be the first big German company to hire a full-time board member for ecological matters.

He is 47-year-old Ulrich Steger, currently a professor at the European Business School near Wiesbaden, but best known as the Social Democrat economics minister who scuppered Germany's first Red-Green coalition experiment in the state of Hesse in 1987.

Steger is an outspoken figure with enemies on left and right and a harsh critic of the diversification strategies of many cash-rich German companies. "Top managers are like politicians. If they have too much money they tend to use it indiscriminately," he says.

An author of learned texts on business and the environment, he was spotted by Daniel Goeudevert, the Frenchman responsible for the VW marque, and a long-standing critic of the car industry's ecological backwardness. Volkswagen has already announced plans to recycle its new Golf model when its useful life is over, and it will be up to Steger to find new ways of exploiting Germany's current obsession with green issues.

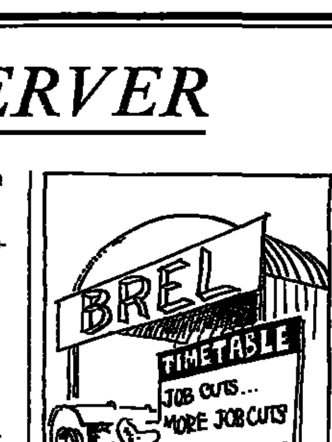
Steger insists that he will be challenging his colleagues in production and finance to "set new market standards for the industry". His critics see him as merely an expensive ecological extra. "If that were true", says Steger, "there would be no point bothering."

King's move

■ One by one the famous names who piloted Britain's nationalised industries into the private sector are handing over to a new generation. British Telecom's Sir George Jefferson has long since gone as has Sir Denis Rooke of British Gas. Sir Norman Payne, who dominated BAA for more than a decade, retired at the end of July, and only last week British Steel's Sir Robert Scholey announced his retirement.

The odd man out is British Airways' 73-year-old Lord King. Not only is he far and away the oldest of the bunch but he also shows no signs of wanting to hand over the controls of Britain's national airline. Apart from BT's Iain Vallance, he is the best paid of the ex-nationalised industry chairmen, although BA is one of the smaller privatisation stocks in the FT-SE 100 index.

Lord King will always be remembered as the man who rescued the world's favourite airline from bankruptcy ten years ago. However, he has had a longer spell in charge than most major company chairmen, and his board should be thinking about looking for an eventual successor, even if he isn't.



Monopoly power

■ It seems that even the international telephone cartel, which is responsible for international call prices being on average two to four times costs, is feeling the pinch of high phone bills. The Geneva-based International Telecommunications Union requires all international calls to be channelled through its switchboard. As a result no one can make outgoing calls after 7pm and on public holidays, when the operators have gone home. The position on the ITU's fax machines is even worse, only one of its half dozen can be used for sending messages.

Tip for the top

■ It sounds as if the EC central bank governors have opted for a safe pair of hands for their next chairman. The word is that the 66-year-old Erik Hoffmeyer, who has headed the Danish central bank for the last 25 years, has been asked to take on the job vacated by Karl Otto Pöhl, former Bundesbank boss.

The Bank of France's Jacques de Larosière was an obvious candidate, but he is already chairman of the committee of the G-10 central bank governors, and the Bank of England's Robin Leigh-Pemberton might have been too controversial an appointment at a sensitive time in European monetary affairs. Wim Duisenberg of the Netherlands was the other natural candidate. But Hoffmeyer is one of the world's most respected central bankers who does not give second-hand opinions.

Battle scars

■ Judging by the noises wafting down from the north, it seems the Battle of the Regiments is not yet over. The Keep Our Scottish Battalions campaign is still going strong.

Lieutenant General Sir John MacMillan, until March the General Officer Commanding Scotland, is heading the lobbying against cuts announced in July. He hopes a petition to be presented to parliament on October 14 can outdo the 1m signatures obtained 20 years ago for the Argyll and Sutherland Highlanders, who won their reprieve.

The campaign, he says, rests on an ex-officer network topped by "a gang of old generals". Although the army's Scottish infantry battalions are being reduced from nine to six, MacMillan's line – surprise, surprise – is that it is a defence matter, not just a Scottish issue.

Counting on Conservative jitters over marginal Scottish seats, he is taking the campaign to Blackpool for next month's Tory conference. The General has tasted battle before. He started in the Argylls and was in line to take command before it was cut, and then reprieved, in 1971.

Red card

■ If the Soviet rugby team, trounced so convincingly by England at Twickenham on Saturday, need an excuse for its poor performance, it can always blame President Gorbachev. Soviet rugby, like so much else, has long suffered from too much official intervention. The game has twice been banned – the first time by Stalin – and only last year President Gorbachev intervened after a foreign sports fan complained about a punchup during a game in Australia. The Soviet national coach and two players were subsequently sacked as a result of this ungentlemanly episode.

Coming clean

■ Corsican police have arrested a suspected member of the gang responsible for last March's $21m bank raid in Geneva – dubbed the hold-up of the century. He was found hiding behind his wife's washing machine. Presumably he had been laundering the money for a clean getaway.

A not so far away Alpine country

Samuel Brittan finds that Slovenia meets most of the usual criteria for international recognition

It is normally a bad idea to combine holidays with journalism. But when I was at the Salzburg Festival at the end of August, I found the idea of visiting neighbouring Slovenia – three hours away by inter-city train – irresistible. My determination to do so was increased by the breathtaking ignorance among so many people who confuse it with Croatia and who advised me "to take a helmet", oblivious of the fact that the Yugoslav army has been withdrawing peacefully ever since its unsuccessful incursion in June, and that Slovenia has a homogenous population without ethnic conflicts.

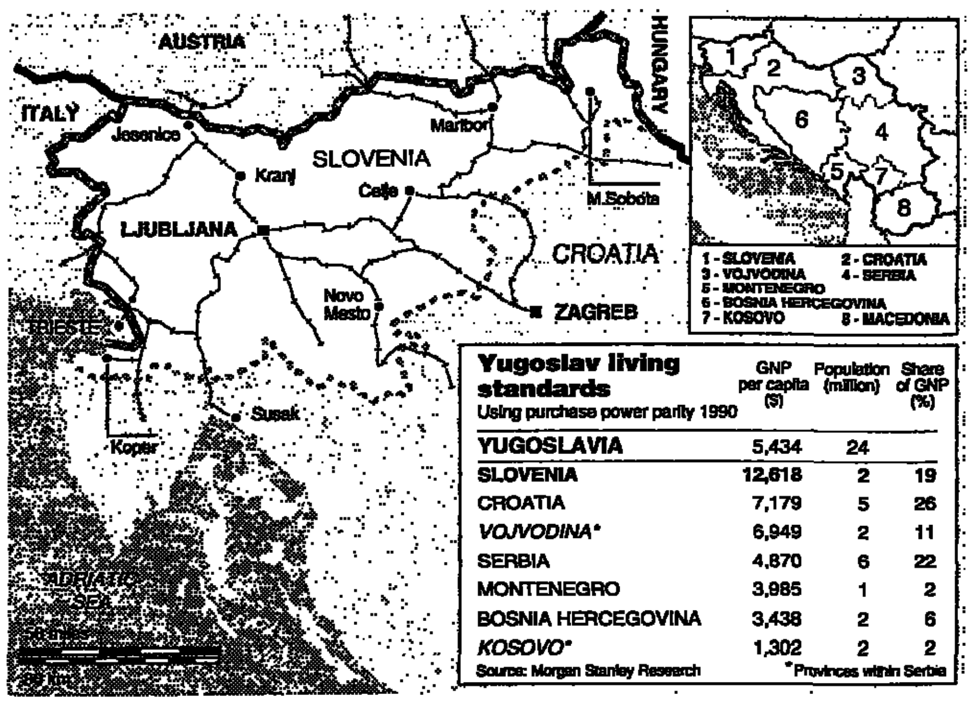
My journey could not have been more peaceful. The train was clearly Croatian, its blue and white colours contrasting with the orange of the Austrian *Bundesbahn*; and the buffet car menu was in Croat, Slovene and German. Customs officials wearing the insignia "Republic of Slovenia" quickly passed through the train in the Alpine tunnel leading to Jesenice; and I was outside the station, slightly ahead of time. There was not a Yugoslav red star to be seen.

The train itself terminated at Zagreb; that was the end of the line, as communications with Belgrade have been cut by Serbia, as part of the attempted total economic blockade on the two breakaway republics.

Although there is great confidence that Yugoslav military forces will not return to Slovenia, no-one is taking any chances. The government is believed to possess anti-aircraft missiles, and there are anti-tank defences on the borders with Croatia.

This is not typical. Much of Slovenia looks like a part of Austria where they happen to speak a Slav language. (It was part of the Austrian province of Carinthia for many centuries and its survival was largely due to its language.) The capital Ljubljana seems a sleepy Habsburg provincial town, with its yellow and white buildings and exotic baroque churches. But a closer look shows strong resemblances to neighbouring parts of north-eastern Italy, which has thrived on the basis of small-scale industry spread through the countryside and small towns, often combined with family farms.

The Slovene population of 1.9m is only 8 per cent of the Yugoslav total. But the republic accounts for 19 per cent of Yugoslav gross domestic product. Slovenia had in 1990 an average GDP per head of $12,600, similar to Austria's and only just behind Britain. This compares with a Yugoslav average *of just over $5,400, and* a little more than $7,200 for Croatia. In 1990 unemployment was 5 per cent, compared with a 20 per cent Yugoslav average, and 65 per cent in Kosovo. Some 23 per cent of Slovene GDP is accounted for by exports, but 27 per cent goes in trade with the rest of Yugoslavia.



Yugoslav living standards
Using purchase power parity 1990

	GNP per capita ($)	Population (million)	Share of GNP (%)
YUGOSLAVIA	5,434	24	
SLOVENIA	12,618	2	19
CROATIA	7,179	5	26
*VOJVODINA**	6,949	2	11
SERBIA	4,870	6	22
MONTENEGRO	3,985	1	2
BOSNIA HERCEGOVINA	3,438	2	6
*KOSOVO**	1,302	2	2

Source: Morgan Stanley Research *Provinces within Serbia

What right has a UK minister to tell people to live in an imposed union?

The Slovene independence movement is partly a response to developments in Serbia. The individual republics and in particular Slovenia had a good deal of autonomy under the 1974 Tito constitution. It is the nationalist-communist Serbian leader, Mr Slobodan Milosevic, who came to power in 1987, who has taken the initiative, either to secure a more centralised Serb-dominated Yugoslavia or a Greater Serbia.

Even the European Community *foreign ministers, who* have unwisely staked so much on a unified Yugoslavia, blamed in their communique of August 27, Serbian irregulars, "for trying to solve territorial problems by military means" (eg killing innocent civilians). They also accepted that "elements of the Yugoslav army have been lending their active support to the Serbian side".

Milosevic has been compared not with Hitler or Stalin, but with Saddam Hussein. Some Slovenes believe that the most effective non-military sanction on Serbia, which is desperately short of petrol, would be an oil embargo.

Although the independence of the Baltic states has put new heart into Slovene leaders, I found no jingoism. Slovene separatism rests partly on a desire to escape from the chronically weak and crisis-ridden Yugoslav economy. For some moderates the last straw was the "raid" on the Yugoslav central bank at the end of 1990 when it was forced to grant Serbia inflationary credits. (The current rate of inflation is 200 per cent.) Last December *some 88 per cent of the Slovene* electorate supported independence in a plebiscite.

Slovene leaders are ambivalent towards Croatia. They criticise early insensitivity towards the fears of Serbian minorities, but also the readiness to hand over to federal forces the arms of their territorial defence, which Slovenia never did. Nevertheless, they realise the fate of the two republics are intertwined and arms are believed to have passed to Zagreb.

Slovenes desire to escape from the chronically weak Yugoslav economy

Can a country of 2m subsist? The Slovene population is in fact more than five times that of Luxembourg and the country's area is half that of Switzerland. But I found no advocates of going it alone with the aid of shock therapy such as unilateral free trade and a zero inflation policy. The Slovene economic approach is gradualist and not heroic.

The general desire is for a Yugoslav customs or free trade area; and domestic legislation is to be consistent with the 1992 EC single market. But the decision has been made to embark on a Slovene currency as a necessary prelude either to a Yugoslav monetary union or to a monetary association, perhaps via Austria, with a wider EC.

Severe problems lie ahead, such as losses being made by a third of Slovene companies. Meanwhile, one of the worst practical effects of non-recognition is that official export credit agencies either refuse to provide against political risk or charge extremely high premiums for doing so. The British Foreign Office has not yet modified its advice against travel to any part of Yugoslavia in spite of the more peaceful conditions prevailing in Slovenia. This has led to a mass pull-out by travel agents and their insurers.

In spite of a fall in industrial output of 10 per cent in the first half of 1991 – compared to 17 per cent in Yugoslavia as a whole – there is less sign of poverty or hardship than in London or New York. But this may be a delusion based on ample stocks which could run out when the Alpine winter arrives.

One of the most nauseating experiences on my return was hearing Douglas Hogg, the UK Foreign Office minister, say: "We are not in the business of recognising Croatia and Slovenia." What right has a junior Foreign Office minister, speaking in what he thinks is popular slang, to tell people to live in an imposed union against their will?

The Foreign Office and State Department have an abysmal record of backing top-down federations in spite of all the evidence – as in President Mikhail Gorbachev's Soviet Union – of disintegration. The Slovene government has all the normal attributes of sovereignty, such as control over its territory, democratic legitimacy and viability. The federal government, has lost nearly all of them; and not even the diplomatic talents of Lord Carrington, who has been asked to mediate, will be able to restore Yugoslavia as a functioning entity.

It is Slovenia's misfortune that international recognition has been wrongly linked to the more complex question of recognition of Croatia; and recognition of both republics is held in reserve as a last resort punishment for Serbia rather than as a common sense acceptance of realities.

BOOK REVIEW

Dr Owen and what might have been

TIME TO DECLARE
By David Owen
Michael Joseph, £20.00

Who does David Owen thinks he is? The question is asked seriously and is kindly meant, for even Dr Owen seems to admit that there is a problem of identity. This, his autobiography, runs to 822 pages. That compares with Lord Callaghan's 584 pages, Denis Healey's 607 and Lord Jenkins of Hillhead's (to be published on Thursday) 658.

Lord Callaghan had been prime minister, and had held all three top ministerial jobs before that. Roy Jenkins was chancellor, home secretary, president of the European Commission, part founder of the European Monetary System and the man who pre-eminently tried to break the party mould of British politics. Healey was defence secretary and chancellor and remains one of the longest-serving figures in British politics.

Dr Owen, by contrast, was a young foreign secretary and leader of the now almost defunct Social Democratic Party. He is 53 and leaving the House of Commons at the next general election. The almost inevitable reflection, perhaps especially today as the party conference season opens, is how different it all might have been. Dr Owen could have been leading the party challenging for power, yet for reasons hard to fathom he threw it all away.

There is a chapter in this book that suggests he is aware of the problem. Called "First Love", it describes how he lost his (unnamed) first girl-friend because she did not believe that he was sufficiently committed to her. He then went on to break off his engagement to another woman to whom, it seems, he was equally attracted.

It would be easy to say that he was vain, interested only in himself or peculiarly cussed. Yet that explanation does not entirely fit. There have been other occasions when he has been remarkably loyal both to friends and ideas. Nor is there anything particularly odd about his background which could explain his sometimes extraordinary behaviour. Dr Owen may have been a late developer, but he was well-educated and there has never been the slightest doubt of his ability to grasp even the most complicated subjects. On southern Africa or defence he was as informed as anyone. He came to economic policy relatively late, but he still came to it.

Nevertheless, the fact remains that at certain critical times in his political life, Dr Owen blew it. The principal political influence seems to have been Hugh Gaitskell; it was because Gaitskell was leader of the Labour party that Dr Owen allowed his name to go forward as a parliamentary candidate in 1962. Perhaps Dr Owen was in the Gaitskell mould, and certainly British politics might have taken a different course had Gaitskell lived. When he died, Dr Owen was much less at home in the party of Harold Wilson, George Brown and, subsequently, Michael Foot.

The fact remains: at certain critical times in his political life, David Owen blew it

Dr Owen might have survived with James Callaghan and Denis Healey, and indeed tried hard to do so. It was only when they allowed the party to move to the left that he decided to break. That was not an eccentric decision: after all, others went with him and Roy Jenkins had been considering the realignment of British politics for some years. The founding of the SDP was seen by many as glad, confident morning. It is sometimes forgotten that the new party seemed to carry all before it until the outbreak of the Falklands War suddenly restored Mrs Thatcher's fortunes.

With hindsight, not only Dr Owen but all the leaders of the SDP and the Liberals made a fundamental mistake. They should have attacked the Labour party with the aim of replacing it as the main opposition. Such Tory leaders as the now Lords Whitelaw and Pym were at times terrified that that would happen; in which case, there would be serious defections to the new party. In the event, there were very few and the Labour party, under new leadership, began slowly to recover.

Dr Owen, however, made additional mistakes of his own. He challenged Roy Jenkins very early for the leadership of the party. He disliked, and let it be known that he disliked, the Liberal party and was opposed to any form of merger. When the two parties failed to make a large breakthrough in the 1987 election, effectively he threw in the towel and refused to have much to do with David Steel, the Liberal leader, in those post-electoral weeks in which the merger was agreed by the vast majority of members. Even then Dr Owen could probably have been the leader of the new Liberal Democrats. He turned his back on the opportunity.

He explains in this book that he was opposed to the Liberals because they were essentially "federalist". (That is also, we now learn, why this once pronounced European is opposed to many of the developments in the European Community.) The merger, he said at the time is "basically defeatist. It is a lack of nerve, and . . . the lack of nerve comes from the liberal-minded people in this country because they are the people whose nerve always fails".

Dr Owen appears to have few regrets. "I am a Social Democrat . . . The SDP was destined to be the hard Centre." As recently as early this year, the top of the Tory party was still seeking his support, as had already happened under Mrs Thatcher. Perhaps the emergence of the SDP did help to retrieve the Labour party. Yet, as he walks away, Dr Owen might note that a third party under Mr Paddy Ashdown, practically written off a year ago, is doing quite well in the opinion polls. He could have been there.

Malcolm Rutherford

LETTERS

Amplifying the warning bell for unit-linked policyholders

From Mr R H E Cooper.

Sir, Barbara Ellis (Finance and the family, August 24) rightly highlights one of the dangers for unit-linked policyholders, the value of whose policies can go down as well as up on a daily basis. The problem may be more serious if the policy is a pension one, with a need for immediate income on retirement.

The answer in many cases is within the policies themselves. Fund switching can be used for many purposes. A timely switch to a deposit fund, or simply to a less volatile fund, can minimise or extinguish the risk altogether.

When to switch depends on circumstances, but in the case of pension policies the correct time may be years ahead of maturity. Switching just before signing the forms at maturity may eliminate problems that would occur following major falls in the markets such as happened recently.

R H E Cooper,
35, Bellfield Avenue,
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India's far-sighted financial architect

From Jagdish Bhagwati.

Sir, Your profile of Dr Manmohan Singh ("India's financial architect", September 2), the Indian finance minister who has embarked on long-overdue economic reform, needs a corrective.

The reforms are attributed by you to a conversion triggered by his membership of the South Commission in Geneva since 1967 and by his visits then to South Korea and Taiwan "where he was much struck by the pace of economic growth under export-oriented policies". But his own D.Phil thesis at Oxford showed in the 1950s that India's export potential was underestimated.

Besides, a man of reflection and scholarship, he had long been aware of the massive theoretical and empirical research through the 1960s and 1970s that settled for most of us the debate over import substitution versus export promotion, as appropriate strategies for efficiency and growth, in favour of the latter.

Indeed, none of the reforms is newly-conceived. Since the mid-1960s, a few of us were out front, fighting for these reforms, among them the dismantling of the licensing system, greater use of exchange-rate flexibility and shifts to export promotion.

It was a hard role to play in an area infested by left-wing economists who confused talking about poverty with doing something about it. The number of converts grew handsomely in the 1980s. Among them were many who had presided over India's disastrous economic regime. Dr Singh was not one who needed to be converted.

If the years in Geneva helped, it must have been by giving him the opportunity to see that the failure of India's economic model had marginalised the country in world economic affairs. Increasingly, India's voice was irrelevant.

The resulting anguish has surely marked Dr Singh's conversion, not to the idea of reform, but to the passion that he has manifested in pursuing the reforms that alone can restore India to the status it enjoyed in the 1950s. There is reason to suspect that much of India's elite has increasingly come to share this anguish. There's the reason for optimism, even as the reforms run into inevitable difficulties.

Jagdish Bhagwati,
Columbia University,
New York

BCCI catastrophe should appear on big screen

From Ms Alice Marie Marshall.

Sir, If Her Majesty's Government were to assemble all the facts known to it about BCCI and auction off the film rights to the highest bidder, it might be possible to protect British depositors.

The story is certainly a good one, with enough material for more than one feature film.

I should think it would fetch a very good price.

Alice Marie Marshall,
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Fax service
LETTERS may be faxed on 071-873 5938
They should be clearly typed and not hand-written. Please set fax machine for fine resolution

An alternative economic viewpoint on the Thatcher years

From Mr Christopher Johnson.

Sir, Any author picked out for criticism by Samuel Brittan may at least hope to be glimpsed alongside him in the ranks of the immortals. I refer to his review of my book The Economy under Mrs Thatcher 1979-1990 in his Economic Viewpoint ("A clubland view of Thatcherism", September 5). However, some of his points demand a rejoinder.

1. *I do not assume* that Mrs Thatcher wanted a tighter monetary policy than Nigel Lawson in the late 1980s. I only say: "She failed to overrule him where she should have done, notably on the abandonment of monetary controls and the fuelling of demand *by* tax cuts.". She may have failed because she agreed with him at the time; but there was no-one else who could have overruled him.

2. He condemns views expressed by the Treasury Select Committee about forecasting, the balance of payments, and manufacturing, as if they were in my book. They are not. If he disapproves of other views in my book which were also those of the Treasury Committee, he should condemn me, not the committee.

3. He says that "the tax burden moved within a narrow range on either side of 38 per cent of gross domestic product during his (Lawson's) whole period at No 11" as if this proved that the tax cuts of the late 1980s were not excessive. My argument is that, by making fewer tax cuts, the chancellor should have allowed the tax burden to rise with the buoyancy of the revenue in the boom, as a contra-cyclical measure offsetting the expansion of private sector demand.

4. He says "the author fails to grasp the wider meaning of the defeat of the Scargill miners' union and, later, of the printing unions". I call the coal strike "the most crucial episode of the whole Thatcher government" (p. 154), and I point to "large productivity gains" in coal and newspapers (p. 228), but otherwise I give a mixed verdict on the supposed benefits of the coal strike. I wish Samuel Brittan would tell us the "wider meaning" of these union defeats. My own conclusion is in the heading "fewer strikes but little effect on pay rises" (p. 226).

5. *He says of me:* "He fails to see the point of nominal GDP". No-one who has read his column over the years could fail to see the point of nominal GDP. It is just that many of us, including at one time the Bank of England, have always thought it was a hopeless target variable, as shown by some of the tables in my book that Brittan is generous enough to recommend. He says nominal GDP is "an attempt to influence demand in cash terms" without noticing that this is incompatible, given an inflation objective, with the renunciation of demand management.

6. He infers from my economic growth chart that output did not even exceed trend in the book at the end of the 1980s. The chart shows output at the capacity ceiling (in fact very slightly above, but the scale is too small to reveal this); more important, demand was much further above capacity.

7. Finally, I must protest that I have never been an adult member of any West End club, so I fail to see how my book could be "a clubland view of Thatcherism". I am afraid that I have never been privy to "how demoralised the Reform Club economic establishment was in the 1970s". The record of the 1970s (back to the tables, Samuel) does not look so bad in hard fact compared with that of the 1980s.

Christopher Johnson,
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FINANCIAL TIMES
Monday September 9 1991

Warning that lack of EC unanimity could sabotage peace conference

Yugoslav fighting threatens talks

By Laura Silber in Belgrade and **David Gardner and Ronald van de Krol** in The Hague

YUGOSLAVIA'S federal army and Serb militants tightened their grip on strategic Croatian towns yesterday as part of their drive to control the republic's central and eastern regions.

The renewed fighting threatens the peace conference which opened in The Hague on Saturday. European Community foreign ministers and representatives of all the Yugoslav republics agreed that the ceasefire signed last week must be "observed in all its elements immediately". The conference has adjourned until Thursday.

Meanwhile, violence spread to Belgrade, the federal and Serbian capital, where a café used by Chetniks, an ultra-nationalist Serb movement, was damaged by a bomb. A man was seriously injured. It was the first known bombing incident in Belgrade since fighting erupted after the declarations of independence in June by Croatia and Slovenia.

Lord Carrington, the former British foreign secretary who is chairing the conference in The Hague, said it would become "perfectly obvious" if and when fighting reached a level to sink the talks. Mr Hans van den Broek, Dutch foreign minister and president of the EC Council of Ministers, said Lord Carrington represented the "one, unanimous voice" of the EC's mediation efforts.

Any decision to recognise new states emerging from Yugoslavia "should be unanimous and voiced through the chair of the conference", Mr van den Broek added. The implication of his statement is that if Germany – which has

Safe haven: more than 30,000 people visited an old Second World War tunnel shelter in the Croatian capital *Zagreb* yesterday as authorities prepared for a federal air attack

repeatedly called for recognition of Croatia and Slovenia – or any other member state breaks EC ranks, they will sabotage the conference's work.

Mr van den Broek equally warned the Yugoslav delegations that the EC had only "temporarily refrained from the implementation of steps that could prejudge the outcome" of negotiations on Yugoslavia's future. The EC is still holding in reserve the recognition of Slovenia and Croatia.

Mr Slobodan Milosevic, the president of Serbia, told the conference that Yugoslavia was "the only legitimate and internationally recognised subject", and that "the internal boundaries in Yugoslavia are only administrative".

This appeared to contradict EC insistence – and Mr Milosevic's formal agreement – that one of the principles of the conference was that neither internal nor external borders could be changed by force.

Mr Milosevic acknowledged that he had links with Serbian paramilitary leaders among Croatia's ethnic Serb community, but he insisted that they were acting independently.

In the southern republic of Macedonia, a referendum was held in which voters are expected to agree to secession if plans for a Yugoslav union of sovereign states collapse.

Pessimistic diplomacy, Page 3
Slovenia, Page 15

UK opposition toughens stance on defence

By Philip Stephens, Political Editor

MR Neil Kinnock, leader of the main opposition party in the UK, toughened his party's stance on nuclear disarmament and currency devaluation yesterday as the Labour party was joined by the smaller Liberal Democrats party in challenging Mr John Major, the British prime minister, to call an autumn general election.

Senior ministers insisted that the government did not see its recent opinion poll recovery as a trigger for a November election. But they acknowledged that election fever was likely to be fuelled by an optimistic assessment of the economic outlook in a speech by Mr Major tonight, when he will reiterate his view that the recession is over.

In spite of Treasury caution, some cabinet ministers see the chance of another cut in interest rates before next month's Conservative party conference.

The return to the domestic political battleground was marked by the opening yesterday of the annual party conference season by the Liberal Democrats gathering in Bournemouth.

Mr Paddy Ashdown, leader of the Liberal Democrats, in positive mood after his party's recent stronger showing in the opinion polls, declared that failing Labour support meant the Liberal Democrats offered the only realistic alternatives to the "failed policies of the Conservatives".

But even as senior Liberal Democrat party figures admitted that his best hope was to hold the balance of power in a hung parliament, Mr Ashdown declined to say whether he would be prepared to make post-election pacts with Labour or the Conservatives.

Mr Kinnock sought to dismiss the Conservatives' opinion poll lead as a temporary reflection of Mr Major's recent international exposure. Another survey yesterday gave the Conservatives 41 per cent against Labour's 39 per cent and the Liberal Democrats' 15 per cent.

Labour plans a determined campaign to shift the focus of voters' concerns back to the economy, health and education. Mr Kinnock also sought to remedy two of his party's perceived weaknesses with the electorate by moving further to the centre in his statements on defence and the economy. On the eve of a planned attack by the Conservatives on defence policy, Mr Kinnock said a Labour government would keep Britain's independent nuclear deterrent while other nations had nuclear weapons.

Formerly, Labour has been ambiguous about whether its policy of multilateral disarmament could leave Britain without a deterrent while other countries kept theirs. But speaking on television, Mr Kinnock said: "There will be retention [of Britain's deterrent] until the extermination of nuclear weapons."

Mr Kinnock then sought to underline Labour's commitment to hold down inflation with a pledge that economic strategy will be based on holding sterling's value against the D-Mark in the European exchange rate mechanism.

The prime minister's speech tonight will warn that unemployment in Britain will rise for some time but he will also promise that a sharp fall in inflation in the next few months will be accompanied by a resumption of steady economic growth.

Conference reports, Page 10
Editorial Comment, Page 14

Telephone groups fail to agree on charges

By Hugo Dixon in London

INTERNATIONAL telephone charges are likely to remain high for some time after a meeting of national companies and ministries last week failed substantially to reform accounting rates. These rates are held responsible for the fact that call charges are considerably above costs.

A meeting in Geneva of the International Telephone and Telegraph Consultative Committee (CCITT), which groups world companies and ministries, was described by one of those present as a "complete flop". He added: "Cartels have a hard time reforming themselves."

The US delegation, which was leading the campaign for reform, drew some consolation from the fact that the thorny issue of accounting rates had been discussed at all.

The CCITT has been under pressure to reform itself since last year when it was revealed that international telephone users were being overcharged by more than $10bn annually on their calls.

The accounting rate system, which is used to determine the allocation of revenue from international calls between telephone companies, has been identified as one of the principal causes of above-cost prices. Last week's meeting was called to examine ways of adjusting accounting rates to bring them into line with costs.

The discussion centred on three US proposals.

- To make accounting rates publicly available. This was rejected out of hand.
- That rates should be cost based. This was opposed by South Korea, Chile and many Third World countries. The developing world is thought to receive several billion dollars annually under the system.

Agreement, however, was reached on a diluted proposal that rates should be cost orientated.

- That rates should be applied to all countries in a non-discriminatory fashion. This was diluted to a proposal that rates should be applied on a consistent and equal basis. The CCITT could not even agree to the wording of this proposal and will meet again to discuss the matter, probably in March.

Attention will now shift to a meeting called by the Organisation for Economic Co-operation and Development to discuss accounting rates on September 19.

Crimean coast feels the wind of economic change

By Chrystia Freeland in Kiev

THE VULTURES are already circling Mr Gorbachev's gleaming white mansion perched on the Crimean coast. The centre of a momentous political struggle last month, the luxury dacha is now in the middle of an economic conflict which illustrates how much has changed in the 20 days since Mr Boris Yeltsin rescued his long-time rival from gilded captivity in the seaside retreat.

At least six different governments are battling for control of Mr Gorbachev's holiday home and 150 other clinics and sanatoria which form a necklace of privilege around the sunny Crimean coast.

The Ukrainian government put its bid in first, claiming all the Communist party property on its territory. Crimea, which declared its sovereignty last week, would like to get in on the action too. So would the municipal government of Yalta – where most of the dachas are located – the Russian republic and central government. Another complication is that in Crimea, as in all other regions of the Soviet Union, various republics and branches of the Communist party own property.

A microcosm for the competing economic claims which beset a disintegrating Soviet Union, Crimea's dachas also represent the vast land's economic potential. Crimea – like the French Riviera without the people, prices or pollution – already plays host to between 7m and 10m tourists, 100,000 of them foreigners, each year.

However, so little tourist revenue stays in Crimea that tourism does not amount to a single percentage point of the region's annual income. Agriculture accounts for 60 per cent of the economy while manufacturing, mineral mining, chemicals and other industries make up the rest.

Mr Nikolai Bagrov, the local strongman observes: "This was an upside down system. We must turn it around. Tourism should be the biggest industry."

Western capital sees the obvious opportunities in Crimea and Mr Bagrov has received Turkish, German, Italian, French, Spanish and even Australian delegations. But he is an orthodox communist and he tells them that land and buildings are not for sale. Western businesses can only buy shares. Crimea has concluded only one foreign deal: Gabrich, a German concern, last month began building a 150-room five-star hotel in Gorzuf, near Yalta, which will be run as a joint venture.

In addition, Crimea depends on the Ukraine for 80 per cent of its electricity and for the water which irrigates half of Crimea's harvest. If the pro-Russian current, now a minority view, gains popularity, Crimea might be subject to an economic blockade.

Moreover, Mr Bagrov fears that a candidate such as Mr Viacheslev Chornovil, a former dissident and an advocate of radical reform, might win the Ukraine's forthcoming presidential elections. According to Mr Bagrov, in Crimea "the ideas of Chronovil are not accepted. It is one thing to move towards the market, another to switch completely to capitalism."

Ignorance and mystery in the Information Age

By Anthony Harris

The authorities at the stock exchange seem bent on making a fuss about the leaks which seem to herald every rights issue. But really, nobody *should be too surprised if Chinese* walls prove to have ears. Dealers are hungry for the kind of information they don't get on their screens.

"Dealing isn't convivial any more," a senior stockbroker complained to me the other day. "I used to go down on the floor and hear what was going on. Now I can *get* any amount of facts on my screen; but I don't *know* nearly as much as I used to. It isn't half as much fun, either and I'm not sure it's healthy."

He has a solid point. The gossip and scandal which used to circulate in the floor markets (the sort of thing that would result in disciplinary measures or worse if it appeared on a screen) was a valuable information system, all the same.

It was often inaccurate, and sometimes pure mischief or downright dishonest; but it did suggest where bodies might be buried, and put analysts on the alert. It is hard to imagine a collapse like Polly Peck taking the market by surprise 20 years ago.

We cannot job backwards; global markets, trading electronically and dominated by futures and other derivatives, cannot possibly work in the old, intimate way. The kind of ignorance this produces, officially protected by the law against insider trading, helps to explain the tendency of markets to chase their own tails.

When what is really outside information is scarce, the market is reduced to analysing its own behaviour. Now thrive the technical analysts, the experts on self-induced fluctuations.

All this is a relatively trivial (though not unimportant) example of a general problem: the information age has become an age of ignorance and guesswork.

Governments and central banks are in the same boat. Economic models which used to have quite stable parameters are now constantly pulled into the pits for overhaul; their mathematics cannot keep up with the changes in the real world.

With their instruments out of order, those who used to try to steer the economy simply lash the helm, whether they call it a medium term strategy, an ERM priority, or a Gramm-Rudman law.

The economy, however, does not behave as if anyone was steering a steady course. The novelty is that booms and slumps seem nowadays to come as a total surprise to those in charge.

The money supply in all its definitions has also gone ape, spreading alternate alarm and despondency among the few who still study it.

The central bankers have largely given up targeting. Instead, they talk impressively about stable prices while they fumble with their levers; but "stability" is not the adjective you would chose to describe their actions.

A reader kindly gave me a history of interest rates back the earliest records: you have to go back almost to Babylonian times to find rates as high or as volatile as they are today. The wise central bankers find this worrying; the complacent seem to find it rather fun.

The money supply in all its definitions has also gone ape, spreading alternate alarm and despondency among the few who still study it.

None of this is meant as a criticism of current economic management, though it does suggest that there was something a little foolhardy about the way we deregulated everything in the 1980s without waiting to see how freedom worked out.

All the same, considering the problems posed by floating exchange rates, mobile international capital, oil frights and the rest, the performance is surprisingly good. Despite the warnings of credit analysts, there is still only a small outside chance that the Big Bang will result in a big crash.

These warnings are not foolish in principle, only exaggerated. This is not a recession like other post-war recessions; it is not at heart an economic downturn, but a controlled financial crisis.

This may rouse thoughts of 1929, when banks failed and markets crashed; but the similarities are again superficial. The heart of the crisis is not financial folly, but the worldwide rise in interest rates. Not even the combined weight of the central banks could sustain these rates in a genuine depression, even if they wished to.

In the 1930s there was inadequate demand for capital. Now there seems to be too much. It is the resultant high rates which have thrown out fiscal and business plans, and deflated asset markets.

This explanation leaves us little the wiser, though, for nobody seems sure of the cause of it, nor the cause for the general fall in private saving which is part of the picture. As long as we do not know the cause, we cannot know if this is a passing phase, or a picture of the future.

It is easy enough to tell a story of the future which looks like the present, based on the needs of the fast emerging economies of the far east, Latin America, and now the ex-Communist countries, later to be reinforced as the ageing populations of Europe and Japan retire.

The market, in this picture, is trying to push the industrialised countries towards their destiny as frugal exporters and pension-payers, but meeting strong resistance from our high-spending habits. (Less resistance in the US than here, since luxury consumption is now reported to be going out of fashion in the US.)

But this is only a plausible story until economic analysis catches up with the real world. The only honest statement is that once you penetrate the fog of ignorance caused by structural change, bad economic models and misleading accounts, you come to a mystery. In a word, uncertainty, the greatest enemy of confidence. The earnest forecasters in the international organisations are now hedging their bets so thoroughly that they could drop the whole apparatus of numbers and charts, and simply print "Don't know" on every page.

Most businessmen and consumers are in the same fix. So don't believe politicians who talk of recovery and virtuous circles. They aren't necessarily wrong, but they can't possibly know.

US Democrats test the campaign waters

By George Graham in Sioux City

THERE are few mourners for the three-year campaigns that preceded recent US presidential elections, but with just five months to go before the first party primaries and caucuses of 1992, some Democrats have started to worry about the shortage of candidates willing to take on President George Bush.

This weekend, however, saw at least a dress rehearsal for the campaign when contenders for the Democratic nomination gathered in Sioux City, on the Iowa bank of the Missouri river, to rally the party faithful.

Iowa voters are used to being courted long and hard by Democratic candidates, because the state's caucuses carry disproportionate weight as the first in the electoral calendar. There was therefore a feeling of relief that the campaigning was at last under way.

"We have, finally, candidates who are willing to take on George Bush. This is the kick-off of the 1992 campaign," proclaimed Mr John Roehrick, chairman of the Iowa Democratic party.

Mr Roehrick may be moving too fast. As yet, only two candidates have formally declared that they are seeking the presidential nomination: ex-Senator Paul Tsongas of Massachusetts, who presents himself as the best economist in the Democratic party, and Mr Larry Agran, who describes himself as one of the three Democrats in staunchly Republican Orange County, California, and a man whose blend of environmentalism and defence cuts would make him a convincing Green candidate in Europe.

Sioux City attracted these candidates, both widely viewed as outsiders, as well as two probable contenders who may come to symbolise the Democratic debate over how to shake off the party's long losing streak.

Senator Tom Harkin, on his home turf in Iowa, embodies a wide range of traditional Democrat constituencies, from labour unions to civil rights organisations. He calls for the US to slash its overseas military presence and spend instead on massive government infrastructure projects.

His message is that the Democrats have lost the last three presidential elections by abandoning traditional values and trying to be more like the Republicans.

"You can bet your bottom dollar that if you run a Republican against a Republican, a Republican will win every time," he quipped in Sioux City.

On the other side of the party is Governor Bill Clinton of Arkansas, at 45 the US's longest-serving governor, who argues that the Democrats have to overhaul their message to attract the people who have not voted for them in the past.

Mr Clinton, whose goofy grin masks a keen grasp of policy detail, recognises the widespread US antipathy to federal government intervention of the kind favoured by Mr Harkin.

"One of the things the Democrats are going to have to do to be credible in this election is to show that we can reform the government we created," he said.

In Iowa this weekend, these differences were papered over.

But as more candidates, such as Senator Bob Kerrey of Nebraska or Governor Douglas Wilder of Virginia, enter the race in the coming weeks, the cracks could widen as the Democrats seek a winning formula against the apparently invincible incumbent president.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Berlin	F	17	63	Caracas		–	–	Faro	S	25	77	Islamabad	F	32	90
Algiers	S	28	82	Biarritz	S	23	73	Casablanca		–	–	Florence	S	26	79	Istanbul	F	18	64
Amsterdam	C	18	64	Bombay	F	29	84	Chicago		–	–	Frankfurt	F	18	65	Jakarta	F	34	93
Athens	F	28	82	Bordeaux	S	25	77	Cologne	C	17	63	Geneva	S	21	70	Jersey	S	20	68
Bahrain	S	33	91	Boulogne	F	18	65	Copenhagen	F	18	64	Gibraltar	S	28	82	Johannesburg		–	–
Bangkok	C	32	90	Brussels	C	18	64	Corfu	S	28	82	Glasgow	C	15	59	Lima		–	–
Barcelona	S	23	73	Budapest	F	16	61	Dallas		–	–	Helsinki	C	11	52	Lisbon	F	26	79
Beirut	S	26	79	Buenos Aires	R	17	63	Dublin	C	15	59	Hong Kong	S	31	88	London	S	23	73
Belfast	C	13	55	Cairo	S	31	88	Dubrovnik	S	26	79	Innsbruck	S	20	68	Los Angeles		–	–
Belgrade	F	16	61	Cape Town		–	–	Edinburgh	C	16	61	Inverness	C	17	63	Luxembourg	F	18	64

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	26	79	Milan	F	21	70	Nicosia	S	28	82	Salzburg	F	19	66	Tenerife	S	28	82
Madrid	S	29	84	Montreal		–	–	Oporto	F	23	73	San Francisco		–	–	Tokyo	C	26	79
Majorca	S	27	81	Moscow	F	10	50	Oslo	S	19	66	Seoul	S	31	88	Toronto		–	–
Malaga	S	28	82	Munich	F	19	66	Paris	S	22	72	Singapore	S	31	88	Tunis	F	27	81
Malta	F	26	79	Nairobi		–	–	Peking	S	29	84	Stockholm	F	13	55	Valencia	S	29	84
Manchester	S	20	68	Naples	S	29	84	Prague	R	13	55	Strasbourg	S	21	70	Venice	S	23	73
Manila	C	31	88	Nassau	F	34	93	Reykjavik	Dr	10	50	Sydney	C	17	63	Vienna	S	15	59
Melbourne	F	15	59	New Delhi	S	32	90	Rhodes	S	27	81	Taipei	F	33	91	Warsaw	C	15	59
Mexico City	C	25	77	New York		–	–	Rio de Janeiro	F	30	86	Tangier	S	26	79	Washington		–	–
Miami		–	–	Nice	S	26	79	Rome	S	27	81	Tel Aviv	S	28	82	Zurich	S	19	66

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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COMPANIES & MARKETS
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More French bourse reform

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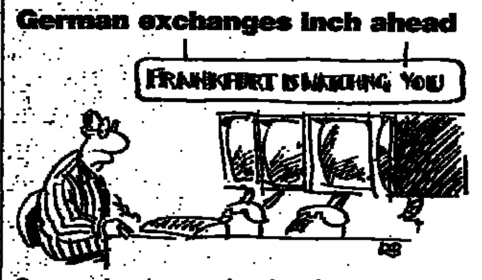

Germany's seven regional exchanges have agreed to participate in Frankfurt's electronic trading system in a further small step towards the concentration of the country's fragmented stock exchanges. Page 19

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Market Statistics

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Redland in £70m foreign expansion

By Andrew Taylor, Construction Correspondent, in London

REDLAND, the British building materials group and the world's biggest roof tile producer, is expanding its manufacturing operations in eastern Germany as part of a £70m ($118.3m) package of acquisitions and investment worldwide.

The group expects spending on construction in the former German Democratic Republic to rise rapidly over the next five years.

It announced yesterday that it was purchasing clay reserves at Narsdorf, near Leipzig where it plans to build its first clay roof tile factory in eastern Germany.

Last year, it acquired four out of the five former state-owned concrete roof tile plants. The territory accounts for the largest slice of the latest investment package. The DM90m ($51.7m) being spent includes the purchase of a brickworks at Narsdorf by Braas, Germany's biggest tile producer, which is 51 per cent owned by Redland. Mr Robert Napier, Redland chief executive, said Braas had also purchased a German chimney contractor, Sud-West Kamin, to "increase its penetration of the chimney replacement market, particularly in eastern Germany".

The latest acquisitions follow Redland's successful £280m rights issue earlier this year. Mr Napier said: "As we promised, this money is being used to strengthen our core businesses, particularly in continental Europe and the US."

Other purchases announced yesterday include: three concrete plants in California bought from Marley, another British building materials group; two roof tile plants in Florida acquired from Gory, a US group; a sand, gravel and paving business acquired in Denver, Colorado and two ready-mixed concrete plants in New Mexico purchased from Pioneer, an Australian materials group.

Mr Napier, who recently visited eastern Germany, said: "Minor public works are taking place in the main streets of almost every town you drive through. Roads are starting to be repaired. There is also a lot of patching and mending of housing although not a lot of new building."

Backing for new Walker rescue

By Roland Rudd in London

BONDHOLDERS in Brent Walker, the troubled leisure group, are backing a new rescue proposal from the international conglomerate Lonrho and are threatening to put the group into liquidation unless banks which have lent £1.5bn ($2.53bn) give the plan a fair hearing.

Their position puts them on a collision course with the 47 banks whose steering committee is today expected formally to reject Lonrho's proposal. This involves swapping convertible preference shares in exchange for £1bn of Brent Walkers's debt.

Mr Paul Spicer, a Lonrho director, said the offer would allow the banks to recover the £1.5bn they have lent to Brent Walker if Lonrho's share price, which closed on Friday at 241p, rises to 400p within the next five years.

However, most of the banks oppose the offer because of Lonrho's insistence in conducting a due diligence audit of the company. Brent Walker fears this could take as long as two months, by which time it will have run out of finance. Lonrho says the exercise could be done within two to three weeks.

A spokesman for the bondholders yesterday warned that unless Brent Walker "seriously considers" the Lonrho offer they will not agree to drop all legal claims against the company, arising from its admission that its interim profits had been inflated last year.

Bondholders, meeting today at the City offices of Hambro, have been told by the company that administrators will be appointed unless they waive their claims.

Over the past ten days there have been meetings between Lonrho and some of the biggest bondholders, including Mr Michael Smurfit, chairman of Jefferson Smurfit, and Mr George Walker, Brent Walker's founder who was recently forced out as chief executive.

Mr Spicer said Lonrho's proposal offered a better deal than they would receive under the banks's reconstruction plan.

It would also give Brent Walker's lenders about 50p in the pound via a £900m nine-for-ten issue of preference stock with a 3 per cent coupon with the prospect that they would recover all their money if the share price rose, he said.

Mr Ken Scobie, Brent Walker's chief executive, said the offer was a "dead duck" and an "irrelevant and opportunistic attempt to undermine the interests of shareholders, bond holders and creditors alike".

Taking the swagger out of Salomon

Peter Martin and **Richard Waters** hear the new management's plans

Lydia van der Meer

Deryck Maughan: "We're coming through it better than we deserve, in some ways."

"I AM almost beyond embarrassment at this point," says Mr Deryck Maughan, the new day-to-day boss of Salomon Brothers. "But I do take personal exception to the notion that Salomon Brothers is rotten to the core, that it is culturally deficient, that we are endemically criminal."

As that comment suggests, the revelation that Salomon Brothers' traders had rigged some recent government auctions for US Treasury bonds has cast a deep shadow over the firm and its employees.

Salomon's former chairman, Mr John Gutfreund, who was told about a breach of the rules in April but failed to declare the information until August, has resigned. Other senior officers have also gone, and Mr Maughan, a former British civil servant who made his reputation running the firm's Japanese operation, was last month unexpectedly catapulted into the job of chief operating officer.

Now he must restore the regulators' faith in Salomon Brothers' integrity and internal controls, and recapture those prominent clients – such as the World Bank, the California state pension funds, and the UK Treasury – which have partly or wholly slipped away.

To do this, he freely admits the seriousness of what happened, and management weaknesses that allowed it to happen.

The "tone", as Mr Maughan puts it, that was set by the former senior management needs to be changed; the firm's payment and promotion policies need revising; and the old collective arrogance – which some would see as the heart of Salomon's mystique and success – must go. In each of these areas, Mr Maughan's approach means, in effect, the partial or complete repudiation of John Gutfreund.

Only a month ago, that would have seemed unthinkable. Mr Gutfreund epitomised Salomon's aggressive take-no-prisoners style and its relentless focus on trading profits.

"I do not deny that John Gutfreund set a certain tone," says Mr Maughan. "John was a very dominant personality. I think that he believed in, certainly permitted, a certain macho style of doing things."

How much did Mr Gutfreund know about what the Treasury trading desk was up to? "I just don't know what he knew," says Mr Maughan, "but most people inside the firm would be very surprised if he knew and condoned this behaviour".

Is that a personal opinion? "My position is that I simply don't know. I'm an agnostic."

Mr Gutfreund's once legendary omniscience about the firm's trading activities had lessened in recent years, says Mr Maughan. "There was a time when John did sit on the desk, and lived the life that everyone thinks he leads of being the ultimate bond trader, calling the auctions, pricing the new issues, walking the floor, flicking his cigar. I think that was true from the mid-1970s to the mid-1980s."

As Mr Gutfreund focused more on visiting clients, and managing the firm overall, he was no longer "on top of the day-to-day trading." None the less, once he learnt that Salomon had submitted bids in the name of clients without their consent, in order to control a greater proportion of the issue than the rules allowed, he should have acted much more speedily – above all to prevent the senior trader responsible from repeating the market-rigging abuses on a still more spectacular scale in the May auction.

To avoid such problems, Salomon Brothers needs "a more open, more co-operative" management style, a change that was already under way before the scandal. "There has been a generational change and John Gutfreund had come to represent the past."

If Mr Maughan has his way, the new Salomon Brothers will replace the firm's traditional every-man-for-himself internal Darwinism with a new emphasis on collegiality. Above all, perhaps, the new Salomon will be less arrogant, abandoning what Mr Maughan calls "this swaggering style".

Yet if the firm is less arrogant, more controlled, less internally competitive, will it ever be as profitable again? In Mr Gutfreund's last half-year, after all, the firm made $451m in after-tax profits, a record. "I think you can combine good business and good ethics," says Mr Maughan: Salomon might even widen its appeal to clients if it were seen as less arrogant.

Other firms, says Mr Maughan, in a clear reference to Salomon's arch-rival Goldman Sachs, where he once worked, "combine good ethics, good management, with very aggressive business".

The thought that the new management wants Salomon Brothers to be more like Goldman Sachs is one that will send shivers down the spines of many of Salomon's fiercely competitive traders. Can Mr Maughan achieve such a shift in culture without endangering the profits that flow from its risk-taking enthusiasm? "We do want to maintain that energy, that drive, but I think it can be harnessed," he replies. We really want the traders to continue to trade. We just want them to do so within the bounds of the law."

Where that has not happened, Mr Maughan says Salomon is ready to take its punishment: "We want swift and sure justice, we want to pay our penalties."

Just how big those penalties will be depends in part on how many more revelations there will be. "If what we know now is 90 per cent of what there is to know," he says, "then we will survive and we will come out of this a stronger firm".

Without further amazing revelations, he believes the regulators will stop short of truly damaging punishments, such as withdrawing Salomon's various licenses or stripping it of primary dealer status. They have no wish, he thinks, to put the firm out of business. "No one's going to be soft on Salomon, but I do think the official mind is capable of making the distinction between what took place here and the firm as a whole."

Across the broad range of Salomon's clients, says Mr Maughan, there have been few defections. The firm is planning for a dip in earning power, but it has been having a good quarter, due partly to revenues for deals initiated before the scandal.

Although the staff is nervous, he says, they are also responding to the new climate of managerial open-ness. "People sense that this is a real test of character, that we can wilt, can deny, or we can accept and take responsibility and move forward. I think we're coming through it better than we deserve, in some ways."

Economics Notebook

Debate grows over narrow ERM bands

THE DATE of Britain's next general election is not the only matter prompting speculation in financial markets.

The approach of next month's first anniversary of sterling's entry into the exchange rate mechanism of the European Monetary System has coincided with a revival of interest over whether the pound should move to the narrow bands of the ERM.

Since becoming a full member of the EMS, sterling, like the peseta, has been able to fluctuate against other ERM currencies within a 6 per cent margin. However, for most of the past 11 months it has moved safely within the 2.25 per cent band accorded to the core EMS members.

Since mid-April it has shown remarkable stability by moving within 1 per cent either side of its DM2.95 central rate.

Until last October, the pound was one of the most volatile of European currencies. It now appears as placid as the Belgian franc.

And yet, Mr Norman Lamont, the chancellor, has been able to bring down base rates from 14 per cent in the middle of February to 10.5 per cent last week. This impressive performance has weakened, but not crushed, the argument that narrow band membership would help cut interest rates.

Only last week, Mr David Kern, National Westminster Bank's chief economist, said moving to the narrow band now would enable the chancellor to continue cutting rates.

Instead, sterling's stability has encouraged pro-Community commentators to urge adoption of the narrow bands to strengthen Britain's negotiating position ahead of the Maastricht summit on European economic and monetary union in December.

This view has gained additional force from recent Dutch proposals on EMU.

These suggest that EC member states would only be able to enter the transitional second stage of union (which would start in 1994) when they had achieved sufficient convergence of inflation, interest rates and budgetary positions *and* spent at least two years in the narrow ERM bands.

Last week the Treasury seemed genuinely puzzled by the sudden interest in narrow band membership for sterling.

With an election to be fought by the middle of next year, there are few sympathisers in Whitehall for a monetary innovation that could force the government to push interest rates higher that much quicker if sterling came under downward pressure.

The pro-Community argument for early narrow band membership also looks thin.

The Dutch proposals contain some positive elements from the British point of view.

But much, including the starting date for stage two of EMU, remains to be negotiated between now and December.

Following the summer break, the negotiations on EMU resume in earnest today when Mr Lamont will be in Brussels for a meeting of EC economic and finance ministers. It is unlikely he will have decided the time is ripe for Britain to join the core group of ERM members, even though the UK's headline inflation rate looks set to fall below that of Germany in October.

Bank Watching

Last Wednesday's half percentage point cut in UK interest rates uncovered an interesting division of expertise and insight in the City.

While most mainstream economists were caught on the hop by the Bank's move, the operators and analysts in the discount houses and domestic money market were far less surprised.

Their detailed observation of the Bank's money market operations in the days ahead of the cut had fuelled a well-founded suspicion that lower interest rates could be imminent.

Such a divergence in perceptions raises the question as to whether there is not a niche for "Bank watchers" in the less specialised parts of the City.

Rather like "Fed watchers", who have existed in the US for many years, such Bank watchers would aim to anticipate interest-rate movements from the way the Bank acts in the markets.

There would doubtless be pitfalls.

The Bank of England is not independent like the Fed, so any second guessing of its actions would have to take Treasury views into account.

The UK money markets are also more likely to be affected by movements of funds from abroad.

The Bank of England would also no doubt do its best to frustrate the emergence of a corps of Bank watchers.

Its activities are largely determined by internal, unwritten rules that can easily be revised or scrapped when it becomes clear that the market can see through them.

On the other hand, there have been eight base rate cuts in the past 11 months and nearly 100 interest rate changes since the Conservatives came to power in 1979.

That record alone suggests that Bank watching could become a profitable activity for the City.

One company that needs no persuading is the Canadian Imperial Bank of Commerce.

It has recruited Mr Nick Parsons, group economist of Union Discount, to be head of CIBC's treasury advisory group from October.

In this position he will draw on his six years experience in the discreet world of the discount houses to watch the Bank.

Virtuous Circles

No sooner had the financial markets digested last week's base rate cut than they started speculating on another one.

Optimism was given a further boost by the prime minister's talk on Friday of a "virtuous circle" of increased spending and growth in the economy.

If research by Merrill Lynch, the US brokerage house, is any guide, the government could also be poised to reap the benefit from a virtuous circle in financial markets.

Merrill Lynch's August survey of global investors shows that very few big international investors have overweight positions in sterling.

Only 2 per cent of those surveyed were "heavily overweight" in sterling bonds while 9 per cent were "moderately overweight". On the other hand, 38 per cent were "moderately underweight", 23 per cent "heavily underweight" and 28 per cent "neutral".

If 61 per cent of international fund managers are underweight in sterling, as the Merrill Lynch survey suggests, there is more chance that increased government popularity will trigger a rise in the pound.

That would enable a further cut in interest rates, boosting the government's standing in the opinion polls still further.

Peter Norman

UK fund managers 'optimistic'

By Peter Montagnon in London

FUND MANAGERS have become markedly more optimistic about the short-run prospects for British equities although they are less bullish than previously about next year, according to the latest survey by Gallup for Smith New Court.

The survey of 108 institutions with £515bn ($870m) under management was carried out just before last week's base rate cut. A balance of 33 per cent expected UK equities to rise over the next three months, up from 18 per cent in August. By contrast the proportion who saw gains over the next 12 months fell to 69 per cent from 83 per cent.

The average forecast for the FT-SE 100 index in three months time was 2,710, while respondents expected it to rise to 2,920 in a year's time. This compares with Friday's close of 2,667.

Slightly more respondents – a balance of 25 per cent compared with 23 per cent in August – said they plan to increase holdings of UK equities. But the biggest shift in sentiment was towards continental equities with increased holdings planned by 19 per cent compared with 9 per cent.

A balance of 1 per cent planned to cut holdings of gilts, while 18 per cent said they intended to increase their holdings in property, the highest balance since 20 per cent recorded in May.

The fund managers expect earnings by UK quoted companies to fall 2.6 per cent this year compared with expectations of a drop of 1.7 per cent in August. However, they are more optimistic than previously about 1992 when they see earnings recovering by 12.5 per cent, compared with a projection of 10.6 per cent in August.

Notice

CARCO DEALRs℠ Wholesale Trust 1990-A

U.S. $650,000,000

9¼ per cent.

Dealer Euromarket wholesale Auto Loan Receivable-backed Certificates℠

(the "Certificates")

NOTICE IS HEREBY GIVEN that an amendment (the "Amendment") is proposed to be made to the Pooling and Servicing Agreement, dated as of August 1, 1991 (the "Pooling and Servicing Agreement"), by and among Chrysler Auto Receivables Company, as Seller ("CARCO"), Chrysler Credit Corporation, as Servicer, and The Fuji Bank and Trust Company, as Trustee, pursuant to which Section 9.01(e) would be amended and restated as follows:

(e) on any Settlement Date the aggregate amount of Receivables relating to Used Vehicles as of the last day of the preceding Settlement Period exceeds 20% of the aggregate amount of Principal Receivables on the last day of the preceding Settlement Period.

The Amendment is being proposed in light of the unexpectedly high percentage of Receivables relating to Used Vehicles which currently exists. As of the August 12, 1991 Settlement Date, the percentage of Used Vehicles was approximately 9.99%, and on September 4, 1991, the percentage was approximately 9.33%. Other CARCO and CARCO affiliate wholesale receivables securitization transactions in the market have Used Vehicle Amortization Event triggers similar to that proposed in the Amendment. Standard & Poor's Corporation, Moody's Investors Service, Inc. and Duff & Phelps Credit Rating Co. have all confirmed that adoption of the Amendment will not result in a reduction or withdrawal of their triple-A ratings of the Certificates.

Adoption of the Amendment requires the consent of the Holders of 66⅔% of the Investor Interest. **Holders wishing to consent must, by 5.00 p.m., London time, on September 23, 1991, (i) deliver their Certificates or valid evidence of their ownership thereof in a form reasonably satisfactory to The Chase Manhattan Bank, N.A., as Consent Solicitation Agent, at its offices at Woolgate House, Coleman Street, London EC2P 2HD, England, and (ii) execute and deliver to the Consent Solicitation Agent the form of Consent Certificate provided by the Consent Solicitation Agent.**

Certificates delivered in connection with a consent will be held in trust by the Consent Solicitation Agent and released once all consents have been tallied. Holders should contact the Consent Solicitation Agent, the Trustee, or Swiss Bank Corporation to obtain a document disclosing further information concerning the consent procedures and the Amendment, the reasons therefore and the consequences thereof.

CONSENT SOLICITATION AGENT
The Chase Manhattan Bank, N.A.
Woolgate House
Coleman Street
London EC2P 2HD
England
Attention: Raymond Morison
Telephone: (071) 726-7155
Telex: 8954681 (Answerback: CMB G)
Telecopy: (071) 726-5565 or 5679

TRUSTEE
The Fuji Bank and Trust Company
Two World Trade Center
New York, NY 10048
U.S.A.
Attention: John McGurn
Telephone: (212) 898-2513
Telex: 42577
Telecopy: (212) 321-2468

Swiss Bank Corporation
Swiss Bank House
1 High Timber Street
London EC4V 3SB
England
Attention: Sally James
Telephone: (071) 711-2802
Telecopy: (071) 711-2364

Certificateholders whose Certificates are held by Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System ("Euroclear") or by CEDEL S.A. should contact the following for further information:

Euroclear: Fixed Income Department, Telephone: Brussels (322) 519-2877; Telex: 61025
CEDEL S.A.: *Custody Administration Department, Telephone:* Luxembourg City (352) 44 99 25 22; Telex: 2791.

Chrysler Auto Receivables Company

September 9, 1991

NOTICE OF REDEMPTION

Ford Motor Company

10 1/2% Notes due August 1, 1993

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of August 1, 1985 (the "Fiscal Agency Agreement") between Ford Motor Company (the "Company"), and the Chase Manhattan Bank (National Association) as Fiscal Agent and Paying Agent (the "Fiscal Agent"), all the above-mentioned Notes (the "Notes") will be redeemed on October 15, 1991 (the "Redemption Date") at the price of 100% of their principal amount plus interest accrued thereon to the Redemption Date. Payment will be made upon presentation and surrender of the Notes at the below-listed paying agencies together with all appurtenant coupons, if any, maturing subsequent to the Redemption Date. The amount of any missing unmatured coupons will be deducted from the sum otherwise due for payment. Interest on the Notes shall cease to accrue from and after the Redemption Date. The Company has elected to redeem the Notes to be redeemed and all conditions precedent to such redemption set forth in Paragraph 5(a) of the Definitive Notes have occurred. (Paragraph 5(a) of the Notes provides in relevant part that the Company may, at its option, redeem the Notes on or after August 1, 1991, upon such notices as have been provided for under the terms of the Fiscal Agency Agreement and the Notes). On and after the Redemption Date, the sole right of the holders of the Notes shall be to receive payment at the redemption price (including payment for a missing coupon in respect of which a deduction shall have been made from the redemption price as aforesaid) together with accrued interest to the Redemption Date.

Payment will be made at any of the following paying agencies listed below.

The Chase Manhattan Bank (National Association), London Branch, Woolgate House, Coleman Street, London EC2P. 2HD, England

Nederlandse Creditbank N.V., Herengracht 458, Amsterdam, The Netherlands

Banque Bruxelles Lambert S.A., Avenue Marnix 24, 1050 Brussels, Belgium

Société Générale, 29 Boulevard Haussman, Paris, France 75009

Chase Manhattan Bank (Switzerland), Genferstrasse 24, Postfach 162, 8027 Zurich, Switzerland

Chase Manhattan Bank (Luxembourg) S.A., 5 Rue Plaetis, L-2338, Luxembourg-Grund

Berliner Handels-und Frankfurter Bank, 10 Bockenheimer Landstrasse, Frankfurt, West Germany

Payment pursuant to the presentation of the Notes for redemption made by transfer to a United States dollar account maintained by the payee with a bank in the United States, may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds (including premium, if applicable) if a payee fails to provide a paying agent with an executed IRS Form W-8 in the case on a non-U.S. person or an executed IRS Form W-9 in the case of a U.S. person. Those holders who are required to provide their accurate Taxpayer Identification Number and who fail to do so may also be subject to an IRS penalty of U.S. $50. Accordingly, please provide all appropriate certification when presenting the Notes for payment.

FORD MOTOR COMPANY
By: THE CHASE MANHATTAN BANK
(National Association),
as Fiscal Agent

Dated: September 5, 1991

COMPANIES AND FINANCE

Belgian bank issues writ against Eagle Star

By William Cochrane

EAGLE STAR, the UK insurance subsidiary of the tobacco-based BAT Industries group, has received a writ from Banque Bruxelles Lambert (BBL), Belgium's second largest bank, in connection with the property mortgage indemnity business which has run the insurer into serious problems over the past two years.

Mortgage indemnity policies protect building societies and other lenders against losses incurred because of defaults by borrowers. BAT confirmed yesterday that a writ had been issued, and said that it was received two months ago. A spokesman said that the action concerned commercial property business, losses on which were mostly provided for in the Eagle Star accounts for 1990.

The action centres mostly on the value of London office properties, the supply of which has soared since mid-1989, and the take-up of which has collapsed since the beginning of 1990. Eagle Star, it said, had thought that there had been material non-disclosure of the value of certain commercial properties, of which BBL had mostly financed the top slice and insured this portion with the company.

There were reports over the weekend that the property concerned was valued at over £300m. The BAT spokesman said that Eagle Star had been attempting to negotiate with BBL on precisely this point, and that accordingly it could neither confirm nor deny the figure.

BAT did say that top-slice business usually related to 15 per cent of the value of a property with a 90 per cent mortgage, leaving the developer to bear the risk on the first 75 per cent; and that sometimes the borrowing related to 100 per cent of the value, leaving the insurer with a 25 per cent exposure. In one or two cases, said the spokesman, BAT had insured all of the borrowing, on what was described as a "ground-up" basis; but he could not say whether any of the BBL policies were on this basis.

Just over two weeks ago, Eagle Star brought forward the publication of its 1991 interim report and disclosed a £189m loss for the first six months of this year against a £21m profit for the same period of 1990. This time, underwriting losses of £121m on domestic mortgage indemnity policies were mainly to blame.

Eagle Star's book of commercial and residential property insurance was discontinued last year. By that time it had generated a loss of more than £200m, and further losses have been provided for this year.

Select Appointments fights collapse with £7.5m refinancing

By John Thornhill

SELECT APPOINTMENTS, the employment agency, is trying to stave off financial collapse by proposing a £7.5m refinancing which would result in existing shareholders retaining only 10 per cent of the enlarged share capital of the company.

The USM-quoted Select, which announced pre-tax losses of £2.38m (£241,000) for the year ended April 5 1991, has seen its financial position deteriorate since that date because of problems with an overseas subsidiary and its high levels of debt.

Two weeks ago Select's bank borrowings amounted to £6.6m and it owed the tax authorities a further £1.8m. A fresh inflow of funds was now "absolutely essential" if Select was to avoid being wound up, the company said.

Select is proposing that Waverly Investments – a newly-created company owned by two former directors of the Adia personnel services group – should subscribe for 90 per cent of the shares in an enlarged company for £2.5m.

Waverly would also provide £2.5m for the company's working capital requirements and would spend a further £2.5m in paying down Select's bank debt with Barclays Bank – which is currently owed approximately £6.4m.

Waverly's two directors, Mr Martin Pestalozzi and Mr Roderick Macleod, will help develop Select's existing business but do not intend to become directors of the company.

Select also announced it has sold its US operations and its Australasian Morgan & Banks business. The company will pay Barclays Bank £1m from the proceeds of the sale of Morgan & Banks.

Following the restructuring, Select will run 31 offices in the UK, six offices in Australia and two in New Zealand. The refinancing is subject to shareholder approval.

Select's sales in the year to April 5 fell from £69.57m to £53.76m. Operating profits dropped sharply from £3.38m to £816,000 and interest took an increased £1.24m (£741,000). An exceptional charge of £1.95m (£2.88m) was also taken, relating to reorganisation, redundancy and depreciation costs. Losses per share amounted to 12p (11.9p) and there was no dividend (1.2p).

British Land acquisition

BRITISH LAND is to pay £15.5m for Queens House, a 200,000 sq.ft. reversionary office building in Reading, Berkshire, which is let to a subsidiary of MB Caradon on a full repairing lease with 42 years unexpired and enjoying five yearly upward reviews.

The purchase price comprises £10.6m via the allotment of 3.5m new ordinary shares (1.5 per cent), which Smith New Court Securities has agreed to purchase from the vendor, and £4.9m in cash.

NEWS DIGEST

AGB losing top layer of management

AGB Research, the international market research group which is part of the private Robert Maxwell Group, is losing a top layer of management as part of cost-cutting programme.

Mr Mark Booth is giving up his job as chief executive, though it is believed discussions are continuing about another role for him within the Maxwell group of companies.

Mr Kevin Maxwell is to become chief executive, although AGB is likely to be run on a daily basis by Mr Chris Collins, at present managing director of AGB (UK).

Executives leaving the company are believed to include: Mr Dan Holdsworth, chief executive for Europe, Australia and New Zealand; Mr Dean Eisner, deputy managing director of AGB (UK); Mr Mark Gressle, director of Value Strategy Compensation; and Mr Peter Beverley, international business development director.

Venture Plant in acquisition talks

Following recent press speculation, the board of Venture Plant Group, the hirer of construction machinery and equipment, has announced that the company is in talks concerning the possible acquisition of a new business.

The prospective purchase is in conjunction with a capital raising exercise and the introduction of new management to the company.

Ecclesiastical Ins Office in red

Ecclesiastical Insurance Office suffered a pre-tax loss of £2.16m in the first half of 1991, against profits of £2.97m in the half year to August 31 1990. After an extraordinary credit of £3.51m there was an attributable profit of £920,000, against £1.97m.

Turnover increased to £53.8m (£47.7m). The company is ultimately owned by Allchurches Trust.

Storehouse chief takes sick leave

Mr Michael Julien, the chief executive of the Storehouse retailing group, is taking six weeks off work to recover from a viral infection.

But the company denied press speculation that Mr Julien was intending to leave the company for good saying he would be back in the office in November.

In the absence of the chief executive, Mr Ian Hay Davidson, chairman, and Mr David Simons, the recently-appointed finance director, will assume a more active role in the day-to-day running of the company.

Servomex declines to £922,000

Servomex, the manufacturer of gas analysers and instrumentation systems, suffered a fall in pre-tax profits from £1.04m to £922,000 in the first half of 1991, though the result exceeded the £903,000 the company made in the second half of 1990.

Turnover advanced 5 per cent to £8.54m (£8.14m). Mr John Burton, chairman, said that orders received were almost 16 per cent ahead, mostly as a result of the Drax power station letter of intent, worth £910,000.

Operating profits came out at £1.09m (£1.15m) and interest payable rose to £165,000 (£117,000). Earnings were reduced to 6p (6.7p), but the interim dividend is again 1.8p.

BZW Convertible net assets rise

BZW Convertible Investment Trust raised net asset value by 3 per cent from 94.34p to 97.15p in the year ended July 31 1991.

Earnings per share were 8.8p (4.47p for period from February 8 to July 31 1990) and the final quarter's dividend of 3.2p makes a total of 7.7p (3.8p), exceeding the 7.5p forecast at the time of the company's launch.

Net revenue amounted to £4.45m (£2.26m).

IN BRIEF

BERKELEY GROUP has bought out from a subsidiary of Speyhawk its 50 per cent interest in the capital of St George for £4.25m cash, which is financed by the issue of 1.35m shares.

BIMEC INDUSTRIES has received acceptances of 22.9m ordinary shares (95.92 per cent) for its rights issue as at September 5. The balance of 973,366 shares have been sold in the market at 74p each, a premium of 27p over the rights price.

BODDINGTON GROUP: Liquid Assets Group, its wholesaling division, has acquired Kings (Beers & Minerals), one of the largest independent drinks wholesalers within the M25. Kings made pre-tax profits of £500,000 on £10m turnover in 1990.

GLOBE PETROLEUM is buying Stevenson Holdings, owner of a 103-well gas producing field in New Mexico for 650,000 shares and the assumption of the field's debt of US$1.6m.

GT CHILE Growth Fund: Net income six months ended June 30 1991 was US$6.05m ($5.56m for four months) and fully diluted earnings per share 58 cents (53 cents). Net asset value per share $17.66 at June 30 ($11.66 at December 31 1990), rising to $21.18 by August 21.

NO PROBES: The following mergers are not being referred to the Monopolies and Mergers Commission: BTR/ Rockware and Altus Participation/ controlling interest in Pembridge Investments.

TRAFALGAR HOUSE: John Brown, part of its engineering division, has acquired 30.6 per cent of Chematur International, based in Karlskoga, Sweden. Chematur provides engineering contracting services for the chemical industry worldwide. Its turnover is SKr425m (£40m).

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Consortium (China/Hong Kong)	Hong Chong	Trading	£531m	Recommended cash offer
Ponoco (Switzerland)/ Tatneft (Soviet Union)	Blue Kama (JV)	Oil	£355m	50/50 agreement signed
Grand Metropolitan/ Allied Lyons (both UK)	New Zealand Wines & Spirits (NZ)	Drinks	£20.7m	Buyers take 25% each
Dewhirst (UK)	Tootal Contract Clothing (Malaysia)	Textiles	£14.1m	Disposals by Coats Viyella
Kolon Industries (S Korea)	Imperial Graphics (UK)	Graphics	£8m	Emess completes RSG sales
Transcanada Pipelines (Canada)	Pacific Gas Transmission (US)	Gas distribution	£206m max	Intent letter signed
Hutchison Telecom (UK)	ABC Telekom (Germany)	Mobile telecoms	n/a	Move into continental Europe
Statoil (Norway)	Mabanaft (Germany)	Oil & gas	n/a	Statoil buying 35%
BSN (France)	Pycasa (Spain)	Food	n/a	General Mills disposal
AGA (Sweden)	Unit of Union Carbide (US)	Gas distribution	n/a	Buy via US subsidiary

Source: FT Mergers & Acquisitions International

Oil and gas dominated a fairly subdued week for international corporate activity, writes Brian Bollen. Foreign penetration of the US gas supply market is growing. TransCanada Pipelines agreed to pay Pacific Gas and Electric up to C$400m for Pacific Gas Transmission, and is also discussing buying Alberta and Southern Gas. AGA of Sweden acquired the gas distribution business of Union Carbide.

Norwegian state oil company Statoil signed a letter of intent to take a 35 per cent stake in Mabanaft, a crude oil products subsidiary of Germany's Marquard & Bahls. Swiss-based oil group Panoco signed a $600m production and exploration joint venture agreement with the Soviet republic of Tatarstan, indicating that recent events will have no negative impact on plans for foreign investment in the Soviet Union.

Other joint ventures announced included plans for a $400m investment in Turkey by US cigarette maker Philip Morris.

Elsewhere, one man's disposal was another man's strategic purchase. Coats Viyella started selling off unwanted parts of Tootal, agreeing to sell Tootal Contract Clothing Malaysia to Dewhirst Group.

UK lighting and electrical accessories group Emess completed the disposal of Royal Sovereign Group, with the sale of Imperial Graphics to Kolon Industries of South Korea. Emess plans to use the bulk of the proceeds to invest in France and Germany.

Acquisitive French food group BSN is expanding its prepared meals interests by buying Pycasa. General Mills is selling Spain's market leader as part of its European refocussing.

The joint purchase of half of New Zealand Wines and Spirits by Grand Metropolitan and Allied-Lyons continues the trend for major spirits groups to own at least part of their distributors. After a clutch of purchases in the UK earlier this year, Hong Kong-based Hutchison Telecommunications is moving into continental Europe with its purchase of a majority stake in ABC Telekom, the German mobile communications retailer.

Japanese optical glass company Hoya progressed plans for building a global laser equipment group, paying $20m for 90 per cent of California-based Continuum Electro-Optics and DM6.25m for 38.9 per cent of MLS Munich Laser Systems of Germany.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Astec (BSR) ......int	nil	-	0.7	-	0.7
BZW Conv Invest ....fin	3.2	Oct 14	3.8	7.7	3.8
Laird ......int	4	Dec 5	4	-	10
Palmerston ......fin	0.1	-	5.75	1.65	8.775
Perry ......int	2.75	Dec 2	2.75	-	9
Select Appts§ ......fin	nil	-	nil	nil	1.2
Servomex ......int	1.8	Nov 8	1.8	-	5.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. §USM stock.

NOTICE TO THE WARRANTHOLDERS OF

JAPAN STORAGE BATTERY CO., LTD.

Warrants (the "First Warrants")
to subscribe for Shares of common stock of
JAPAN STORAGE BATTERY CO., LTD. issued with
U.S. $50,000,000
5⅛ per cent. Guaranteed Notes due 1992

and

Warrants (the "Second Warrants")
to subscribe for Shares of common stock of
JAPAN STORAGE BATTERY CO., LTD. issued with
U.S. $100,000,000
3⅞ per cent. Guaranteed Notes due 1993

Pursuant to Clause 4(A) of the Instruments dated 17th November, 1988 and 9th November, 1989 (the "Instruments") and in accordance with Conditions 7 and 11 of the Terms and Conditions of the Warrants, notice is hereby given that:

Due to issuance by JAPAN STORAGE BATTERY CO., LTD. (the "Company") on 4th September, 1991 of U.S. $100,000,000 4⅜ per cent. Guaranteed Notes due 1995 with Warrants to subscribe for shares of common stock of the Company (the "Shares") at the Initial Subscription Price of Yen 789 per Share which is less than the current market price per Share on the date in Japan (15th August, 1991) on which the Company fixed said Subscription Price, the Subscription Prices of the First and Second Warrants in effect were adjusted as follows respectively pursuant to Clause 3 (vii) of the Instruments and Condition 7 of the Terms and Conditions of the Warrants: the Subscription Price of the First Warrants was adjusted from Yen 607.80 to Yen 604.30 and the Subscription Price of the Second Warrants was adjusted from Yen 1,194.20 to Yen 1,187.40, both of which became effective as from 4th September, 1991 (Japan time).

JAPAN STORAGE BATTERY CO., LTD.
By: The Mitsubishi Bank, Limited
as Principal Paying Agent
and Warrant Agent

9th September, 1991

MIRACO INTERNATIONAL (NETHERLANDS) B.V.

U.S. $10,000,000
Dual Basis Bonds Due 2000
("Series A Bonds")

U.S. $5,000,000
Dual Basis Bonds Due 2000
("Series B Bonds")

U.S. $15,000,000
9.75 per cent. Bonds Due 2000
("Series C Bonds")

NOTICE IS HEREBY GIVEN that for the six month Interest Period from and including 6th September, 1991 to, but excluding, 6th March, 1992 the following Rates of Interest will apply:

Series A Bonds — The Rate of Interest is 6.2% per annum. The Interest Amount payable on 6th March, 1992 will amount to U.S. $313.44 per U.S. $10,000 in principal amount.

Series B Bonds — The Rate of Interest is 6.475% per annum. The Interest Amount payable on 6th March, 1992 will amount to U.S. $327.35 per U.S. $10,000 in principal amount.

By: The Mitsubishi Bank, Limited
London Branch
As Agent Bank

9th September, 1991

SUPER ALPHA
U.S.$116,000,000
Secured Floating Rate Notes due 1993

Interest Rate 6.625% p.a. Interest Period September 9, 1991 to March 9, 1992. Interest Payable per US$10,000 Note US$334.93.

September 9, 1991, London
By Citibank, N.A., (CSSI Dept.), Agent Bank

COMPANIES AND FINANCE

German exchanges agree to Ibis system

By Katharine Campbell in Frankfurt

GERMANY'S seven regional exchanges have agreed in principal to participate in Frankfurt's electronic trading system, Ibis 11, in a further small step to draw together the country's fragmented stock exchanges.

Mr Dieter Mülhausen, board member of the Frankfurt bourse, said yesterday that he expected around 30 new participants – independent and official brokers as well as small and medium-sized banks – to join Ibis 11 as a result of the decision, which still has to be formally approved by the boards of the regional markets.

Ibis has around 95 participants. In spite of its relative primitiveness, the screen-based system listing the DAX 30 blue chip stocks and some heavily traded domestic bonds has attracted an increasing proportion of volume in Frankfurt since it was introduced in April.

In August, 13 per cent of DAX turnover was routed through Ibis. At the same time, spreads between bid and offer prices have narrowed to between 50 pfennigs and DM1.

The new agreement, drawn up by Mr Wolfgang Peterhoff, chief executive of the Düsseldorf stock exchange, assures that members of any one of the regional bourses can trade on Ibis without completing the cumbersome process of joining Frankfurt.

While almost all the leading banks are members of Germany's biggest exchange, many smaller institutions, as well as the liquidity-generating brokers, are not. The official brokers, who on Ibis lose their privilege of levying fixed commissions, can still use the system – which, unlike the physical trading floors, is open continuously between 8.30am and 5.00pm – for establishing or liquidating their own positions.

Control of the system, however, remains entirely with the privatised Frankfurt stock exchange, which has spent DM16m ($9.10m) building Ibis. The regions will also cede regulatory authority (for screen trading) to the Frankfurt exchange.

French bourse heads for second wave of reforms

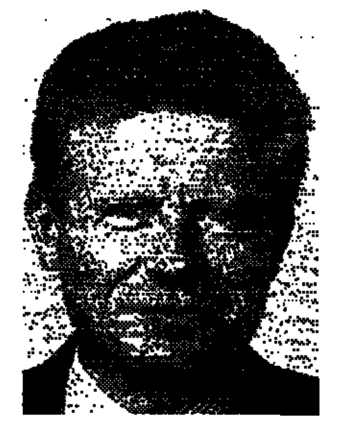
By William Dawkins in Paris

A STEP has been taken towards what is expected to become a second wave of French stock exchange reform, with an agreement by regulators to encourage stockbrokers to improve their financial security.

From next January, the Conseil des Bourses de Valeurs (CBV) will issue separate licences for different aspects of stockbroking activity, such as share trading and back office execution. Separate rules are also being planned for brokers offering custody of clients' shares, said the CBV.

So-called segmentation of functions is one of the main points in a package of reform proposals presented last July by a group of independent experts led by Mr René de la Serre, managing director of Crédit Commercial de France, the privatised bank.

Many leading brokers have already started to put their different functions into separate subsidiaries to reassure clients made anxious by last year's spectacular collapse of Tuffier et Associés, under investigation for allegedly using clients' money to cover losses.



René de la Serre: presented reform package in July

The move will now allow them to register their various functions with the CBV, under capital requirements and codes of conduct to be defined by the end of the year. If they wish, brokers can continue to register themselves as before, with their various functions in one company.

The finance ministry yesterday welcomed the move.

The first round of reforms allowed outside investors to buy into brokers for the first time three years ago, followed by stricter takeover rules and a clampdown on insider dealing, and – from next January – an end to brokers' monopoly of stock exchange seats.

The ministry is considering the other proposals in Mr de la Serre's report, which aims to stem the steady flow of stock exchange business to London which has taken place in spite of the earlier reforms.

It calls for the abolition of a tax on share trading turnover – which is unlikely to please the cash-strapped government – and for the development of trading in large blocks of shares between big institutional shareholders off the main market, as in the UK.

Block trading has been allowed in France for the past three years, but only for matched bargains, with the result that the growth of the block market has disappointed professionals.

Block trading review on the way

By William Dawkins

THE FRENCH government plans to make up its mind by the end of the year whether to respond to pressure from stock market professionals to make it easier for big investors to trade shares outside the regular market.

It is awaiting the results of a study group set up by the Conseil des Bourse de Valeurs (CBV), the stock exchange regulator, due to report in mid-November on how the Paris market can attract the lucrative business of so-called block trading in French shares, a large part of which takes place in London where conditions are more flexible.

The rethink implies that the government might wish to reassess its tough stance on the European Community's investment services directive, which has for long been blocked over disagreements on the future organisation of Europe's investment markets. "You are right to make the connection with the investment services directive," said a finance ministry official.

One of the main points at issue in the directive is whether all securities trading should take place on a single regulated market, as sought by France, Spain and Italy, on the grounds that investors need full protection. Britain, Germany and the Netherlands, who want to foster trading outside the regular markets, suspect that France and others fear competition.

The ministry recognises the importance of block trading, but believes some kind of regulation is needed so that this does not "absorb" the regular stock market, explained the official.

For the past three years, France has allowed big institutions to trade with each other off the market only on a matched bargain basis, so they have tended to take such business to less regulated markets like London's Seaq International. This is in contrast with Britain's quote-driven system, where a broker can buy part of a block of shares and then parcel it out to clients.

This latest rethink was triggered by a report in July from a panel calling for a series of other reforms but only touching briefly on block trading. The CBV then asked Mr François Bacot, of the stockbrokers Bacot Allain, to lead a working party to report in more detail.

Air France rules out holding in Sabena

By William Dawkins in Paris and Alan Cane in London

AIR France, currently in talks with Sabena, the Belgian airline, which could lead to commercial co-operation between the two companies, has ruled out the possibility of taking a stake in its loss-making rival.

A spokesman for Air France said it had opened talks with Sabena "a few months ago" but that taking a stake in the company was "not at all on the agenda".

British Airways has been talking with Sabena for a year about the possibility of taking a stake of up to 40 per cent in the airline. A BA spokesman said yesterday that the talks were continuing but that no date could be set for their completion.

The aim of the talks between Air France and Sabena is to define which routes could be offered in common. It was unclear yesterday when a conclusion would be reached.

They are taking place only at the level of both companies' commercial management and have not yet directly involved the two chairmen.

The talks form part of both the loss-making airlines' continued strategies of seeking alliances where possible with other large carriers, in the face of the deregulation of Europe's airline industry.

Like Sabena, Air France this year received a large capital injection – FFr2bn ($330m) – from its government shareholder. It is now undergoing a reorganisation designed to modernise the fleet, make its staff and structure more commercially aggressive and to focus more on the most profitable routes.

A partnership with Sabena could clearly form part of the re-think over routes. The European Commission gave clearance for Sabena's capital injection in July and is still studying the Air France proposal.

Hakuhodo invests Y2bn in France

By Philip Rawstorne

HAKUHODO, Japan's second largest advertising agency, has invested Y2bn ($15m) in TBWA International, part of the privately-owned French marketing group.

The move, made through the issue of preference stock convertible into 11.36 per cent of TBWA's common stock, boosts the ties between the two companies which last year established a joint agency in Amsterdam to service Japanese clients in Europe.

Hakuhodo, which has had a collaborative relationship with Lintas Worldwide since 1981, operates a network of offices in Japan, China, the US and Europe.

St-Gobain lifts stake

SAINT-Gobain, the French glass and building materials maker, has raised its stake in Germany's Oberland Glas to 60 per cent from 35 per cent, Reuter reports from Bad Wurzach.

The group bought the shares from the Wiegand family. The remaining 40 per cent of Oberland's capital is in the hands of small shareholders.

US options exchanges scrutinise new listings

By Barbara Durr in Chicago

US OPTIONS exchanges are preparing to launch a flock of new options next month when more relaxed rules on options listings become effective. But the new listings are being carefully selected because of cost concerns.

The Securities and Exchange Commission approved the new rules, which were originally proposed in 1986, last week. These entail a series of changes in the eligibility standards for listing options.

The changes include eliminating the requirement that a company earn at least $1m during the previous eight quarters before an option can be listed on its securities; allowing shares that trade as low as $7.50, instead of the old limit of $10; and lowering the required number of shareholders in a company to 2,000 from 6,000.

Also, the prohibition on listing options for companies that have defaulted on debt payments in the previous 12 months has been removed.

As a result of the SEC rule changes, the Chicago Board Options Exchange announced it will launch 21 new stock options on October 21. That number is down from the 33 options originally planned because member firms are worried about costs.

Cost concerns arise from a drop in the CBOE's trading volume, which means reduced revenues. The fall in volume prompted redundancies last week in the exchange staff.

The American Stock Exchange, also under pressure from member firms on costs, is cutting its current list of 31 new options set for the October 21 launch.

Member firms are concerned that exchanges pick the most viable options.

The CBOE has also been forced to delist five more of its low-volume options, having already dropped eight earlier this year. Options on BAT Industries are among the latest five to be axed.

● BCE, the holding company for Bell Canada and Northern Telecom, has sold its remaining stockholding in Quebecor, the Montreal publishing and commercial printing group, for C$36.5m (US$32m), writes Robert Gibbens in Montreal.

BCE had about 20 per cent of Quebecor's B shares as a result of selling its own commercial printing business to Quebecor in 1988.

It sold half this holding last April, and is now pulling out of commercial printing to concentrate on core telecommunications businesses.

Quebecor is North America's second largest commercial printer and also owns pulp and paper interests in partnership with British publisher Mr Robert Maxwell.

GM may pull out of Korean car venture

GENERAL MOTORS of the US is moving to break up its joint venture car production business with South Korea's Daewoo group, AP-DJ reports from Seoul.

GM and Daewoo, one of South Korea's largest conglomerates, are equal partners in Daewoo Motor, the third-largest car maker in South Korea with an annual production capacity of 500,000 vehicles.

South Korean government and industry officials say GM has formally informed the Seoul government of its intentions to sever ties with Daewoo. It has requested an arrangement to form a new joint venture with another South Korean company, they say.

The trade and industry ministry confirmed GM's trouble with Daewoo but said the government was in no position to intervene in private business matters.

According to government and industry officials, GM cited its longstanding dissatisfaction with the Korean partner's management style, constant labour disputes and unilateral decision-making as reasons for the break up of its 15-year relationship with Daewoo.

Daewoo said it was aware of GM's move, although it had not been officially notified.

Cultor back in the black with FM15m

CULTOR, a Finnish nutrition and enzymes group, has returned to the black with FM15m ($3.5m) pre-tax profits for the first eight months of this year, writes Enrique Tessieri in Helsinki. In the same period a year ago the company made a FM60m loss.

Group sales for the eight months rose to FM3.82bn from FM3.01bn. The recovery stemmed from restructuring and streamlining, said Cultor.

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 06/09/91	Average yield (%)†	Last week	12 wks ago	26 wks ago
Overall	160.29	6.64	159.57	154.99	153.41
Government Bonds	158.40	6.46	157.68	152.31	151.11
Municipal Bonds	162.11	6.84	161.49	156.69	155.65
Govt.-guaranteed Bonds	164.70	6.91	164.07	159.76	158.22
Bank Debentures	156.96	6.62	156.25	152.41	150.43
Corporate Bonds	162.53	7.18	161.56	158.52	156.56
Yen-denom. Foreign Bonds	167.36	7.63	167.10	164.40	159.50
Government 10-year†	6.28		6.36	6.76	6.62

† Estimated par yield

Source: Nomura Research Institute

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Opinion polls add to sunny mood

EXPECTATIONS of a further easing in inflationary conditions in the UK later this year underpinned the gilt market, which showed a healthy rise in prices.

Continuing the rally in the market which began early in July, yields fell for nearly all classes of UK government bonds. A particularly sharp fall at the short end of the yield curve was accounted for by last week's unexpected reduction in interest rates, from 11 per cent to 10½ per cent.

With two opinion polls pointing to a lead by the Conservative party over Labour, the gilt rally was also helped by perceptions that the government might win an early election.

Attention this week will focus on the degree to which the bullish comments from ministers about the inflation profile can be supported by data on the pace of the UK economic recovery and the extent of reductions in the rate of price rises.

Today the Central Statistical Office announces the amount of new consumer credit in July advanced from building societies, finance houses and on bank cards. The figure has been extremely low in recent months, and the latest figure is likely to show a rise to about £150m – although that figure will be nothing like enough to convince commentators of a start of a meaningful recovery in confidence.

That, in itself, will be good news for gilt investors, who want to see a slow, measured recovery rather than a sharp one as this holds out the best chance that inflationary pressures will fail to be reignited.

There will be more interest in figures on Thursday, which are expected to show that the annual rate of rise in underlying earnings across the economy, 8¼ per cent in June, continued its fall of the past six months and dropped to 8 per cent in July.

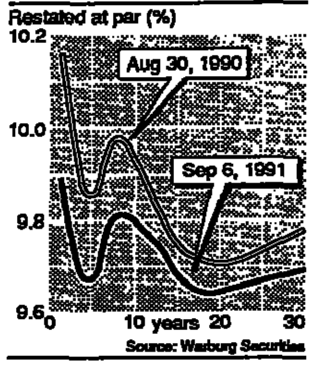
Also the annual rate of rise in the retail prices index, 5.5 per cent in July, is widely anticipated to have come down by a full percentage point in August, a figure due on Friday.

Although many expect the rate of rise in retail prices to fall to 4 per cent or less by the end of the year, there was some nervousness in sections of the gilt market about the degree to which the government's recent surge in popularity was likely to continue.

One view was that with Mr John Major's face appearing on

UK gilts yields

Restated at par (%)



Source: Warburg Securities

TV screens virtually every day during late August due to the crisis in the USSR, the government would have to be doing very badly in policy matters generally for it not to show up well in opinion polls.

"The real test will come later in the year when people's minds come back to the economy and the pace of any recovery," said one commentator.

One shade of opinion among gilt practitioners is that, should a Labour government win power, an extremely heavy programme of bond issues would follow to finance a large public spending programme.

That would be expected to depress prices and might be another reason why the gilt market and the City in general – which traditionally finds it difficult to become enthused about Labour governments – would favour the re-election of the Conservatives.

However, if the evidence of recent weeks is anything to go by, gilt practitioners are becoming much more relaxed about the prospect of a large volume of issues this financial year – when some £12bn-£15bn of new gilts are likely to find their way on to the market.

So far, just over £8bn of gilts have been announced, and on Friday the Bank of England announced a new gilt auction, the third this year, when £1bn-£2bn of bonds will probably be put up for sale.

The announcement of the auction – set for September 25 and involving gilts maturing between 2003 and 2009 – barely disturbed the generally sunny mood of the market. There was certainly little inclination to mark down prices. The details of the specific stock and the amount to be auctioned will be announced on September 17.

Peter Marsh

JAPANESE BONDS

Favourable data trigger Tokyo rally

JAPANESE government bonds, recovering from July's doldrums, have posted sharp rallies during the past few weeks, helped along by a slew of economic figures confirming the slowing trend in the economy and easing inflation.

Last week a sharp fall in short-term interest rates following fund injections by the central bank added to the excitement, prompting speculation of an imminent cut for the discount rate.

The yield on the unsecured overnight call rate closed at 7.19 per cent, falling 34 basis points from the previous week, and the yield on the No.129 10-year benchmark bond closed at 6.27 per cent last Friday, down 32 basis points from 6.59 per cent at the beginning of August.

Economic data released in mid-August had been favourable. July wholesale prices, which reinforced expectations of a fall in inflation, rose by 1.7 per cent, significantly slower than the 2.1 per cent of June.

And further evidence of economic slowdown came from the 2.7 per cent decline in June private sector machinery orders and a 9.7 per cent year-on-year increase in business inventories.

The central bank's intervention in the money market, ahead of last Friday's release of the Bank of Japan quarterly survey of business sentiment release could suggest that the economy is in a far more parlous condition than most bond market participants had suspected.

Indeed the survey later showed that business confidence fell to the lowest level for more than three years, with the business confidence index for leading manufacturing companies down to 27 from 36 in May.

Imminent releases of interim business results and economic indicators should provide further evidence of a slowing economy. While this could be good news for the bond market, the BOJ, after the release of the survey, commented that although economic growth was decelerating, a sharp decline would be unlikely.

However, the slowdown in Japan's growth is still marked in contrast with other leading economies. For the current fiscal year ending March next, the Economic Planning Agency is forecasting 3.8 per cent growth, down from 5.6 in fiscal 1990.

It may be hard for bond markets to sustain last week's rally. Profit taking and unloading of long positions were seen at the end of last week after the central bank's unexpected confident tone suggested that an imminent discount rate cut would be unlikely.

Analysts expect that for the time being, the BOJ will continue to control monetary policy by influencing money market rates rather than by cutting the discount rate.

Meanwhile, the absence of institutional activity will also make a further bond market rally difficult to realise. Recent trading has been dealer-led, as institutional investors remain nervous of the sharp rise in bond prices.

Volumes are lower than that of the last rally in February, with trading in the No.129 bond remaining at Y15,600bn in August compared to February's Y18,600bn. "Prices have become too high for investors to join in at this point," says a life insurance company official.

In addition, given the high demand in long-term funds of the corporate sector, long-term interest rates may have little room for a further fall.

Emiko Terazono

US MONEY AND CREDIT

Traders confident of cuts by Fed

TODAY is "Rosh Hashanah", and traders in the US bond markets would love to celebrate the first week of the Jewish New Year with a discount rate cut and long yields below 8 per cent.

Judging by the way markets behaved late last week (prices rose sharply across the maturity spectrum on Friday, buoyed by heavy retail demand), traders and investors in Treasuries remain confident that the Federal Reserve will soon ease monetary policy. Their confidence has held firm in spite of factory orders, leading indicators, employment and money supply figures released last week which all pointed to an improvement in the rate of economic recovery.

Although last Friday's 34,000 rise in August non-farm payrolls and the hefty one-week $6.4bn rise in M2, the broadest and most reliable measure of money, will have made Fed officials feel better, the progress of the economy in its journey out of recession remains unsteady and laborious.

It has been the sluggish pace of the recovery that has persuaded so many bond investors and dealers to bet on a discount rate cut. Because inflation is no longer the threat it once was, the market believes the Fed has ample room to loosen the monetary reins.

The inflationary picture in the US remains almost unreservedly bright. Given the admiration regularly expressed worldwide for the way the Bundesbank has successfully kept a lid on prices over the years, it should not have escaped the Fed's attention that the current year-on-year rate of core US consumer price inflation, at 4.8 per cent, is edging closer and closer to the German level of 4.4 per cent.

If inflation is measured over a shorter time-scale, the results are even more impressive. The rate of consumer price rises since the start of this year stands at 2.7 per cent, and the rate of consumer inflation in the past six months at 2.2 per cent. These shorter-term figures provide a better indication of actual price patterns in the economy as they are unaffected by last autumn's data, which was severely disrupted by the effect of the Gulf crisis on world oil markets.

Stable world oil prices, poor domestic consumer demand which has deflated service sector prices, and the slowdown in the rise of labour costs in the wake of higher unemployment, have all contributed to an improved inflationary climate.

However, if the Fed wants one last look at the inflation numbers before taking the plunge on interest rates, it need wait no further than this Thursday and Friday's producer and consumer price figures. Analysts are expecting both sets of data to show only small monthly changes, and forecasts that headline consumer inflation will drop to between 3 per cent and 3.5 per cent by the end of the year remain on course.

This Friday also sees the publication of the August retail sales statistics. The weakness in the US consumer sector remains a big worry for the Fed and one of the most persuasive reasons for lowering interest rates.

Yet, the market's confidence that the Fed is ready to cut interest rates could prove misplaced. Last week two senior Fed members – both members of the key policy-making Federal Open Markets Committee – publicly aired their views on the economic outlook, and their comments would not have given much comfort to those hoping for a policy ease.

Mr John Laware, a Fed governor, predicted GNP growth of between 3 per cent and 4 per cent in the second half of this year, and although he said that the Fed was evenly poised to shift policy in either direction, his optimistic views on the economy suggested he personally favours keeping policy unchanged.

Similar thoughts were expressed by Mr Robert Parry, president of the Federal Reserve bank of San Francisco, who warned that with the economy at a turning point the authorities should not lose sight of their longer-term goal of controlling, and ultimately eliminating, inflation.

As always, the Fed's caution over cutting rates has not gone down well in the political world. Mr Michael Boskin, chief economic adviser at the White House, emphasised that healthy monetary growth will be a crucial ingredient in the economic recovery. Mr Boskin said that concerns about inflation should not prevent the Fed from taking the necessary steps to stimulate money growth.

Patrick Harverson

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	5.43	5.44	5.25	11.00	2.00
Three-month Treasury bills	5.44	5.48	5.46	7.81	5.53
Six-month Treasury bills	5.55	5.59	5.60	7.75	5.62
Three-month prime CDs	5.70	5.75	5.88	9.01	5.86
30-day Commercial Paper	5.58	5.63	5.63	9.95	5.80
90-day Commercial Paper	5.55	5.63	5.63	10.05	5.81

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	100[illegible]	+[illegible]	7.56	7.65	7.80
20-year Treasury	112[illegible]	+[illegible]	7.95	8.08	8.21
30-year Treasury	101[illegible]	+[illegible]	8.01	8.06	8.22

Source: Salomon Bros (estimates).

Money supply: In the week ended August 28, M1 rose by $5.3bn to $869.9bn.

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	150	102⅝		6.94
ABN 9 1/8 94	200	103½		7.72
AETNA LIFE & CAS 7 3/4 16	200	100¼		7.72
ALBERTA PROVINCE 8 5/8 96	750	103	+⅛	7.89
ALBERTA PROVINCE 9 3/8 95	600	105¼	+¼	7.69
AMERICAN EXPRESS 0 00	450	44⅞		9.16
AMERICAN GENERAL 9 3/4 95	100	102⅞	-⅛	8.81
AMERICAN INTL 0 04	750	32½	+¼	9.07
ASIAN DEV BANK 0 04	1000	33¼		8.85
[illegible]				
SAS 10 1/8 95	150	105	+¼	8.64
SBAB 9 1/2 95	500	105½		7.73
SEAGRAM CO 8 1/2 96	100	99½		8.61
SEARS O/S FIN 0 98	500	53⅛	+¼	9.49
SEARS O/S FIN 11 5/8 93	150	106½		8.06
SEARS ROEBUCK EURO 9 3/4 95	500	105½		7.95
SNCF 7 1/4 94	175	100⅛	+¼	6.87
SNCF 9 1/2 98	150	106½		8.22
STATE BK NSW 8 1/2 96	200	101	-⅛	8.23
STATE BK STH AUST 9 1/4 93	100	102¼	-⅛	7.10
[illegible]				
QUEBEC PROV 9 98	200	102¼		8.55
QUEENSLAND GOVT 10 1/4 95	100	107¼		8.06
RALSTON PURINA 11 3/4 95	150	108⅝		8.85
REED PUBLISHING 9 5/8 97	150	103⅞	-⅛	8.74
REYNOLDS (RJ) 10 1/4 93	100	101		9.68
SAINSBURY 9 1/8 96	150	103¼	+⅛	8.19
SARA LEE 9 3/8 93	150	103¼		7.46
SAS 10 99	200	102¼	+⅛	9.54

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	89		7.06
AUSTRIA 4 5/8 98	100	88¼	-⅛	6.94
CHUJITSUYA 7 3/4 95	50	99½	-1¼	7.90
COUNCIL EUROPE 4 3/4 98	250	88¼	[illegible]	7.07
EEC 5 1/2 00	100	90	[illegible]	7.00
EIB 5 3/4 93	100	98	+1	6.77
ELEC DE FRANCE 7 1/4 06	100	102½	[illegible]	6.96
FINLAND 5 3/8 95	150	95¼	[illegible]	6.64
GENERAL MOTORS 7 1/2 95	100	100	[illegible]	7.48
JAPAN DEV BK 5 1/2 94	100	96	[illegible]	7.34
[illegible]				

OTHER STRAIGHTS	Issued	Bid price	Chg on week	Yield
[illegible]				
IND DEV BK INDIA 6 3/8 94	200	87¼	+⅛	11.19
LUFTHANSA INT FIN 5 7/8 98	500	85¼	+⅛	8.85
NAT BK HUNGARY 8 96	200	90	+⅛	10.60
QUEBEC HYDRO 6 3/4 99	300	88⅛		8.91
SWEDEN 6 1/8 98	300	88¼	+⅛	8.53
VENEZUELA 8 1/4 93	100	95⅛		10.49
WORLD BANK 0 15	2000	16⅛	+⅛	7.73
WORLD BANK 5 3/4 96	300	89⅛	+⅛	8.71
WORLD BANK 7 1/8 95	500	95⅛	+⅛	8.61

EQUITY WARRANTS	Expiry	Price	Chg on week	Prem
[illegible]				
NICHII	[illegible]	20⅛	+2⅛	11.06
NICHIREI CORP	17/02/93	3	+⅛	74.05
NIPPON COMSYS	11/06/98	18⅜	+1¼	23.81
NISSHIN STEEL	31/01/95	16⅞	+2⅛	14.26
ROYAL HOTEL	18/04/96	7⅛	+1	47.29
SMC	14/03/95	12⅝	+2⅛	24.09
TAKASHIMAYA	25/07/95	11⅝		
TOYO SASH	02/07/96	16⅝	-⅛	17.55
UNITIKA	27/04/93	1⅛	+⅛	39.02
	20/07/93	⅞	+½	57.66

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on September 6

SYNDICATED LOANS

Royal Insurance to seek £250m

ROYAL Insurance, the UK life and general insurer, is preparing to tap the syndicated loan market at the culmination of what has been one of the worst reporting seasons ever for the UK insurance industry.

Royal itself, which lost £97m in the first half of the year, capped a miserable year so far with news at the end of last week of 600 redundancies.

All of which may help to explain the pricing of Royal's £250m standby credit facility being arranged by Barclays Bank. The three-year deal replaces an expiring £250m, three-year standby credit used to back the company's commercial paper programme.

Royal's facility is being offered at 55 basis points over the London interbank offered rate (libor) – a rate seen as generous by bankers who have been approached about the deal. The commitment fee of 27.5 basis points over libor is similarly generously priced. According to one banker, the pricing reflects a desire to reinforce Royal's position with its relationship banks, although Barclays refused to comment on the deal at the end of last week.

The price could also reflect the likelihood that the facility in part will be drawn down, rather than remain only as a standby. With UK insurers going through hard times, the commercial paper market is not always hungry for their paper, leaving it to banks to meet short-term financing needs (indeed, Royal's existing facility has been part-utilised).

With time and a more favourable environment for insurers, the standby could turn out to be little used after all. The problem for banks in the meantime is assessing the likely use to which the facility will be put.

Royal will be hoping that Barclays can do as well on selling its deal as the bank, working with National Westminster, did for Racal Electronics. A $250m term loan brought a month ago for Racal has now been raised to $350m thanks to demand (even at that level, says Barclays, it has had to scale back banks' involvement).

Racal's 18-month deal, at 75 basis points over libor, is to provide working capital during the transitional period after the demerger of Racal, which will see Racal Telecom (which operates the Vodafone cellular phone network) split off from the rest of the group.

● News that Philip Morris is in the market for finance is always guaranteed to send a flutter through the hearts of rival chief executives. There is hardly a takeover rumour in the food and drinks business without the giant US corporation's name being linked in some way. When Philip Morris is looking for $15bn, then those flutters turn quickly to massive palpitations.

News of the latest massive financing leaked out at the end of last week. Few details are available, except that the deal is being put together in New York by Citibank.

The scale of the transaction does not mean that Philip Morris is preparing a bid. Other bankers who have got wind of the deal say that it is being talked of as a refinancing, in part to refinance the Kraft acquisition. However, that will not necessarily calm everyone's nerves: $15bn, after all, is a lot of cash to be asking for from banks.

Given Philip Morris's strong name and the fact that, with or without a capital crunch, bankers still have lending targets to meet, there was a general belief at the end of last week that the company should have little problem raising the money from its existing relationship banks – always assuming, of course, that the deal is fairly priced.

Richard Waters

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	955.1	0.0	0.0	10,315.8
Prev	2,204.3	15.0	95.0	13,807.6
Other	2,430.3	0.0	157.3	6,784.7
Prev	1,160.2	0.0	666.5	4,765.4
Secondary Market				
US$	23,062.3	678.7	9,713.3	9,863.4
Prev	27,455.9	749.3	7,783.3	9,204.0
Other	35,752.2	962.6	3,620.8	54,429.2
Prev	36,204.5	976.5	3,273.7	71,431.2

	Cedel	Euroclear	Total
US$	21,377.4	33,211.2	54,588.6
Prev	18,153.7	43,160.7	61,314.4
Other	38,842.3	65,288.8	104,131.1
Prev	38,846.3	78,621.7	117,468.0

Week to September 6, 1991 Source: AIBD

INTERNATIONAL BONDS

Sterling's stability poses a dilemma for treasurers

STERLING'S stubborn stability within the European exchange rate mechanism poses a dilemma for UK company treasurers. On the one hand it has buoyed overseas demand for sterling bonds to record levels; on the other it supplies a compelling argument for not borrowing now.

There was another spree of sterling bond issues in the international bond market last week, but not from UK companies. A further £500m was issued, underlining that demand for sterling-denominated paper has not slackened after the summer break.

According to syndicate managers, around 60 or 70 per cent of last week's new issues went abroad, mainly to institutional and retail investors in continental Europe.

This consistent buying of Eurosterling paper, and equally strong appetite for UK government bonds, is attributed to the UK currency's stable membership of the ERM.

There were initial doubts about the durability of sterling's DM2.95 central rate against the D-Mark. Salomon Brothers reckoned last winter that a rate of DM2.20 might be more appropriate over 10 years.

But the climate of opinion has changed. In recent months few analysts have suggested that a devaluation of sterling within the ERM is necessary. A National Institute for Economic and Social Research review published two weeks ago stood out in questioning current parities.

International investors also appear confident. The latest Merrill Lynch survey of institutional portfolio managers found only 11 per cent of respondents felt they were overweight in sterling assets. Yet 61 per cent felt underweight to some extent in sterling. One third of these felt heavily underweight.

Overseas buying has narrowed secondary market yield spreads, especially for top-rated borrowers.

The European Investment Bank last week launched a new issue at a yield spread of just 23 basis points over UK gilts – the lowest yield spread on a new Eurosterling issue for 2½ years.

Corporate yield spreads have also narrowed.

However, corporate treasurers who believe that the current position in the ERM is sustainable will also believe that UK interest rates will converge with those of the low-inflation European countries.

Convergence offers one good reason not to lock into long-term funding at current interest rates. Why borrow at 11 per cent over 10 or 20 years when interest rates may be as low as 7 or 8 per cent in two or three years' time?

In addition, corporate borrowing statistics suggest that demand for debt finance is for the moment very low on cyclical grounds. First-quarter corporate borrowing of £6bn was the lowest since 1987. Borrowing from banks was just £1.2bn, the lowest since 1986.

In the second quarter the trend continued, with a net debt repayment by companies to banks of £3.5bn. Third-quarter figures, due out at the end of this month, will make interesting reading.

The UK corporate sector certainly has the capacity to borrow if an upturn in the economy comes. Nomura Research Institute estimated at the end of last year that UK companies could increase their borrowings by £20bn and still retain an aggregate gearing ratio below that of 1982.

Since that forecast was made there have been plenty of rights issues and precious few debt issues.

Last week's ½ point cut in base rates to 10½ per cent will bring corporate funding targets closer to being achieved. Bond syndicate managers will be arguing for action now, rather than delaying until the next interest rate cut. They will recall the mistakes made last time around the economic cycle when many waited too long for the trough in interest rates, only to see rates spiral back up to 15 per cent.

This argument may fall on deaf ears. Those with faith in the ERM will reply that this cycle is different from previous cycles. In theory, ERM discipline will ensure basically stable or falling interest rates, so long as the currency remains stable.

And stable it certainly is: sterling ended the week just above DM2.94, a shade higher than at the start of the week, despite another cut in interest rates.

Simon London

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
MBL Finance(b)†	100	2006	10	8¾	100	Mitsubishi Finance	8.750
Hyundai Motor(c)‡†	50	1996	5	(c)	100	IBJ Intl.	-
Matsushita Electric Wks(g)♦†	200	1995	4	4⅝	100	Yamaichi Int.	4.625
Fuji Oil Co.♦	100	1995	4	4⅝	100	Nomura Int.	4.625
Tong Yang Cement(h)♦	45	1996	5	5½	100	Tong Yang Secs.	5.500
Chubu Electric Power†	350	1998	7	8¼	99.66	UBS Phillips & Drew	8.316
Daimler-Benz N.America†	250	1998	7	8	100.40	Deutsche Bk.Cap.	7.923
Exxon Capital Corp†	250	1998	7	8	101.139	SBC	7.783
Cie Bancaire†	250	1995	4	7¾	101.41	Paribas Cap.Mtks.	7.331
Arabian Oil(q)♦	200	1995	4	4⅝	100	Nikko Secs.(Europe)	4.625
STERLING							
Skandia Capital Corp†	100	1996	5	11	100	S.G. Warburg Secs.	11.000
Asfinag†	100	2001	10	10⅜	99.55	UBS Phillips & Drew	10.450
Woolwich Building Soc.†	100	1996	5	11	102.01	Hambros Bank	10.463
Republic of Finland†	200	1998	7	10⅜	99.77	S.G. Warburg Secs.	10.423
EIB(r)†	150	1997	5.417	10	98.761	BZW	10.284
CANADIAN DOLLARS							
Osaka Gas Co.†	200	1996	5	10¼	101.17	Goldman Sachs Int.	9.942
Toyota Motor Credit★★†	150	1995	4	9¾	100.95	Wood Gundy Inc.	9.454
Province of Ontario†	750	1996	5	10	101.168	Merrill Lynch Int.	9.694
GECC(l)†	100	1996	5	10	100.175	Wood Gundy Inc.	9.944
Ford Motor Credit Co.†	150	1994	3	10¼	100.925	Goldman Sachs Int.	9.878
Banque Indosuez†	125	1994	3	10	101.525	Goldman Sachs Int.	9.393
FRENCH FRANCS							
Credit Local(d)†	1.5bn	1996	5	9¼	99.50	Credit Lyonnais	9.380
Interfinance Credit Nat.(m)†	500	2001	10	8.90	99.50	Societe Generale	8.978
ECUs							
Eutelsat†	75	1994	3	9¼	100 15/16	Nomura Intl.	8.880
National Bk.of Hungary†	200	1996	5	12	99.125	CSFB	12.244
SNCF(s)†	200	2001	9½	9⅜	101.85	Credit Comm.de France	9.059
Woolwich B.S.†‡(u)	150	1996	4½	(u)	100	Sumitomo Finance Int.	-
YEN							
Ebara Corp.†	10bn	1998	7¼	7.2	101.625	Yamaichi Int.(Europe)	6.899
KG International†	4bn	1995	4	7	101.35	Yamaichi Int.(Europe)	6.605
NSK†	30bn	2000	9¼	7.05	101.70	Nomura Int.	6.808
NKK Corp.†	20bn	1997	5¼	7	101.625	Yamaichi Int.(Europe)	6.614
Kobe Steel†	20bn	1998	6⅓	6.9	101.375	Nomura Int.	6.616
Kobe Steel†	20bn	2000	8⅓	6.9	101.75	Daiwa Europe	6.612
Kobe Steel†	10bn	2001	8⅓	6.9	101.80	Yamaichi Int.(Europe)	6.628
LIRE							
Deutsche Bk.Finance†	200bn	1996	5	12	101⅛	BAI	11.690
Province of Quebec†	150bn	1996	5	12.2	101.60	Ist.Ban.San Paulo d'Tor.	11.759
D-MARKS							
Eurofima(e)†	300	1996	5	8¾	102	Dresdner Bk.AG	8.246
Prima Meat Packers(i)♦	60	1995	4	6	100	Commerzbank AG	6.000
LKB Baden-W'berg.(j)★★†	50	1994	2.417	10½	101.75	Trinkaus & Burkhardt	9.708
Trinkaus & Burkhardt(t)†	50	1994	2.583	11	100	Trinkaus & Burkhardt	10.926
SWISS FRANCS							
Nagahori Corp(a)★★♦†	55	1995	-	5¼	100	Coutts & Co.	5.250
Nihon Inter(f)★★♦†	40	1995	-	5¼	100	Wirtschafts & Privatbk	5.249
Daido Steel Sheet★★♦	100	1998	-	6	100.50	UBS (Switz)	5.911
Daito Kogyo★★♦	70	1995	-	5¼	100	Nomura	5.250
Tokyo Buhin Kogyo(d)★★♦	35	1995	-	5¼	100	Banca d'Svizz.Italiana	5.250
Nippon Bee Chemical★★†	10	1996	-	7½	100	Nikko (Switz.) Finance	7.500
PESETAS							
EIB(v)†	20bn	1996	5	11.15	101.55	Ban.Hispano Americano	10.733
LUXEMBOURG FRANCS							
Sparekassen Bikuben(k)★★†	1bn	1996	4	9½	101.95	BGL	8.999
Commerzbank†(p)	1bn	1999	8	9⅜	102.10	BGL	8.996
Credito Romagnolo(o)★★†	1.5bn	1998	7	9⅝	102.50	Cregem Int.	9.126

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♠Variable rate notes. †Final terms. a) Callable after a year at 101½% declining by ¼% semi-annually. Conversion premium fixed at 2.55%. b) Subordinated issue. Callable on or after 11/8/2001 at par. c) Coupon pays 6-month Libor rate. Non-callable. d) Issue has a fixed re-offer price of 99.50%, giving a spread over the equivalent French government bond of 40 basis points. Non-callable. e) Bonds are eligible as collateral for transactions with the Bundesbank. Non-callable. f) Callable in 1993 at 101% declining ¼% semi-annually. Conversion premium fixed at 2.50%. g) Conversion premium fixed at 2.60%. h) Exercise premium fixed at 14.19%. Non-callable. i) Each DM5,000 bond carries 5 warrants. Non-callable. j) Borrower has option to redeem bonds either at par or in exchange for 36 shares of Bayer AG plus DM100 per DM10,000 bonds, but should Bayer share price equal or exceed DM325 on any two business days between 1.10.91 and 10.6.94 then option expires and bonds will be redeemed at par. Non-callable. k) Subordinated issue. Non-callable. l) Fungible with existing C$100m deal launched August 1991. m) At expiry, holder has option to re-invest in new bond issued at par. n) Callable on 2/10/92 at 101½% declining by ¼% semi-annually. o) Amount increased from LFr1bn. Subordinated issue. Non-callable. p) Issued on a fiduciary basis to fund a subordinated loan made by Commerzbank Intl. to Commerzbank AG. Non-callable. q) Issue has two $100m tranches in Europe and Asia. r) Fungible with existing £388.5m deal first opened in 1988. s) Fungible with existing issue, due 12/3/2001, totalling Ecu340m; launched Feb 1991. t) Bonds may be redeemed, at the issuer's option, at par or in exchange for 44 shares in Thyssen AG plus DM100 per DM10,000 bond. Non-callable. u) Coupon pays 15bp over 3-month Libor. Non-callable. v) Matador issue. Non-callable. Note: Yields are calculated on AIBD basis.

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWEDEN (continued) [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

JAPAN [illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

4:00 pm prices September 6

Quotations in cents unless marked $

[illegible]

Total Sales 9,845,400 shares

MONTREAL

4:00 pm prices September 6

[illegible]

INDICES

NEW YORK

DOW JONES	Sep 6	Sep 5	Sep 4	Sep 3	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
‡Industrials	3011.63	3008.50	3008.50	3017.67	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	96.18	96.13	96.12	96.11	96.29 (29/8)	91.30 (16/1)	96.29 (29/8/91)	54.99 (1/10/81)
Transport	1174.72	1183.00	1190.06	1196.76	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	206.25	206.50	207.25	207.12	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

‡Day's High 3033.32 (3031.98) Low 2987.48 (2989.71)

STANDARD AND POOR'S	Sep 6	Sep 5	Sep 4	Sep 3	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	389.10	389.14	389.97	392.15	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	462.08	462.51	463.46	466.39	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.57	31.42	31.49	31.62	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	213.51	213.47	213.95	215.13	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	369.70	369.36	369.99	371.52	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	516.94	516.93	517.92	520.91	526.39 (29/8)	355.75 (14/1)	526.39 (29/8/91)	54.87 (31/10/72)

	Aug 30	Aug 23	Aug 16	year ago (approx.)
Dow Industrial Div. Yield	3.01	3.01	3.08	4.16

	Sep 4	Aug 28	Aug 21	year ago (approx.)
S & P Industrial div. yield	2.70	2.63	2.69	3.24
S & P Indl. P/E ratio	21.33	21.71	21.35	15.47

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Amer T & T	7,581,900	39¼	---
Pepsico	3,367,500	29¼	- ¼
Limited Inc	3,975,000	25	- ¼
Boeing	3,024,500	52¼	+ ¼
Fleet/Norstar	2,100,100	24¾	+ ½
K Mart	1,848,200	42¾	- ¼
Gen Electric	1,802,500	71	- 1¼
Syntex	1,711,700	43¾	+ ¾
Salomon Inc	1,547,300	24	---
Pfizer	1,435,300	68¼	+ 3

TRADING ACTIVITY

† Volume (Millions)	Sep 6	Sep 5	Sep 4
New York SE	166.410	162.250	158.381
Amex	11.924	11.298	11.657
NASDAQ	149.328	167.422	154.069
NYSE			
Issues Traded	2,080	2,070	2,070
Rises	759	694	560
Falls	793	849	1,021
Unchanged	528	527	489
New Highs	74	35	48
New Lows	9	12	11

CANADA

TORONTO	Sep 6	Sep 5	Sep 4	Sep 3	1991 HIGH	1991 LOW
Metals & Minerals	3026.10	3034.07	3022.42	3031.96	3299.99 (18/7)	2632.06 (9/1)
Composite	3498.30	3485.50	3486.80	3504.86	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1851.13	1851.51	1849.57	1857.33	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep 6	Sep 5	Sep 4	Sep 3	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1571.8	1571.7	1566.7	1568.4	1591.3 (7/8)	1204.5 (16/1)
All Mining (1/1/80)	667.4	665.9	666.4	670.3	787.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	480.13	480.45	474.41	471.78	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1135.29	1140.65	1144.08	1139.95	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	372.13	372.48	373.43	380.84 (2/8)	302.26 (9/1)
FINLAND						
HEX General (28/12/90)	941.6	946.8	950.2	965.5	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	492.33	488.88	488.54	490.54	494.95 (12/6)	394.88 (15/1)
CAC 40 (31/12/87)	1860.39	1868.67	1860.82	1873.18	1874.81 (11/6)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	(u)	683.57	681.92	687.30	717.43 (17/6)	578.48 (15/1)
Commerzbank (1/12/53)	1926.1	1923.5	1923.1	1934.1	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1648.18	1647.17	1647.91	1655.64	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3970.91	3990.16	4006.45	4025.07	4079.01 (14/8)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1451.52	1453.97	1453.83	1451.56	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	553.55	555.29	556.81	555.48	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	22692.60	22499.65	22402.69	22469.80	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1763.36	1749.39	1739.69	1744.15	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2750.99	2742.14	2748.83	2755.65	3423.45 (18/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	557.92	562.50	561.83	560.05	635.02 (29/5)	478.41 (16/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	282.1	283.0	282.0	281.8	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	200.5	201.1	200.4	200.3	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE Ind (2/1/83)	771.54	774.31	774.96	778.34	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1003.22	1014.44	1013.80	1022.00	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	387.73	388.27	388.55	387.68	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1163.06	1154.0	1168.0	1121.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4189.08	4143.0	4123.0	4105.0	4189.0 (6/9)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	674.94	674.81	683.54	675.67	763.10 (6/8)	598.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	273.55	274.36	274.62	274.56	289.22 (18/3)	213.78 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1062.10	1065.0	1061.5	1078.5	1149.8 (11/7)	888.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	762.63	764.2	763.3	764.5	769.2 (29/8)	598.4 (14/1)
SBC General (1/4/87)	627.5	629.0	628.9	630.6	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4624.83	4499.50	4508.26	4625.59	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	728.51	723.06	723.71	720.78	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	503.9*	504.1	504.4	504.5	[illegible]	[illegible]

*Saturday August 31: Taiwan Weighted Price: 4543.53 Korea … § Subject to official recalculation.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed, (u) Unavailable.

TOKYO - Most Active Stocks

Friday 6 September 1991

	Stocks Traded	Closing Prices	Change on day
NKK	24.8m	405	+5
Hitachi Zosen	18.2m	674	+8
Nippon Steel	17.8m	436	+8
Mitsui Shipbldg	14.1m	605	+13
Tokyo Gas	14.0m	586	+30
Mitsubishi Heavy	12.0m	734	+9
Kawasaki Heavy	11.1m	547	+7
Ishikawajima	10.1m	676	+8
Meiji Seika	9.0m	942	+6
Sumitomo Heavy	8.5m	686	+7

هكذا من الأصل

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ( ) - 0001 to 1100 hours; ( ) - 1101 to 1400 hours; ( ) - 1401 to 1700 hours; ( ) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	309 7	309 7	330.1	1.27	41410
(Accum Units) ♥	5	362.3	362.3	386.2	1.27	41411
British	5	820 4	820 4xd	867 9	5.51	41416
(Accum Units)	5	1347.9	1347 9	1425.9	5.51	41417
European	5	326 9	326 9	348.1	1.50	41418
(Accum Units)	5	350 4	350 4	373.1	1.50	41419
Japan	5	112.8	112.8	119 8	–	41420
(Accum Units)	5	113 7	113 7	120 7	–	41421
New Pacific	5	172.3	172.3	183 1	1.96	46365
(Accum Units)	5	176.9	176.9	188 0	1.96	47954
PEP Sept 4	5	141 4	143 9xd	152.3	3.65	47588
Mngd Equity	5	125 7	127.6	135.1	3.44	47586
Mngd Equity Acc.	5	133.3	135.3	143.3	3.44	40566
Mngd Cash	5	96 79	96 79	99.69	10.57	47585
(Accum Units)	5	114 6	114 6	118.1	10.57	40267
Mngd Fixed Int Acc Aug 28	5	121 1	121.1	128 1	6 87	42132
Majority Selg	1	100 82	100 82	101.92	10.39	42703
Majority Selg Acc	1	105.76	105 76	106 80	10.39	46409
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International Aug 30	0	51 74	51 74	52.31	3.40	46906
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
Sun Alliance House, Horsham 0403 56293						
Equity	6	627 0	634.5	678 6	2.98	41423
North America	6	79.12	79.12	84.62	1.05	41424
Far East	6	90 05	91.24	97 58	1.32	41425
W'wide Bond	6	47 76	47.76	50.81	6.18	41426
European	6	66.59	66.59	71 22	1.27	41429
Equity Income	6	73 17	73.17	78 26	5 18	41430
Portfolio	6	58 98	58 98	63 08	2 16	41431
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						
American Growth	6	26 80	26.80xd	28.67	0.39	47795
Managed Assets	6	105 67	106 29	113.68	3 69	44067
UK Income	6	34 00	34 46	36.86	4 33	41432
UK Growth	6	33.84	34.21	36.59	3.02	41433

	Bid Price	Offer Price	Yield Gross	City-line
Funds in Court*				
Capital Sep 5	513.59	517.39	2.37	40505
Gross Sep 5	189.38	190.84	10.22	40506
High Yield Sep 5	299.73	302.14	7.26	40507
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngt	55.19	56.91	3.58	40676
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1203	1297	–	46964
Mngd Pens (Acc)	71.4	74.1	–	41007
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2680.0	6.00	40777
Inc Gth Prp Apr 16	£1325.0	1460 0	7 20	40778
Lazard Investors Ltd #				
Exempt Funds				
Small Co's Sept 5	£3671.7	3846.2xd	4.23	40786
European Sept 5	£542.5	548.2	2.20	40776
American Sept 5	£369.2	373.2	2.18	40773
Japan Sept 5	£495.7	503.6	1.29	40774
Pacific Sept 5	£142.8	146.1	1.90	40775
W Midlands Aug 30	£144.50	161.30	2.48	40771
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Aug 31	199.20	203.20	7.39	40825
Equity Aug 31	885.85	898.25	4.10	40826
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Sept 5	102.29		10.54	40883
(Accum Units)	587.74		10.54	40884
NAACIF Sept 3	43.30		9.08	46917
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Sept 3	134 1	143.7	2.70	46925

Century Life Plc
2 Eyre Street Hill, London EC1R 5AE 071-278 4488
City Of Edinburgh Life Assurance

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Far East Emerg Econ	39 2	41.1	–	47033
Fund of Inv Tsts	61 8	64 9	–	47806
Money	153 4	161 0	–	41922
Special Situations	87 9	92.3	–	47808
UK Growth	133.0	139 7	–	47810
World Growth	118 1	124 0	–	47812
Pension Funds				
Fund of Inv Tsts	138.5	145.51	–	47807

Eagle Star Life Assurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 221 311

	Bid Price	Offer Price	Yield Gross	City-line
Secure Fund	150 4	158 4	–	42178
Blue Chip Fund	187 6	197 5	–	42179
Performance Fund	182.9	192.6	–	42180
Adventurous Fund	163 1	171 7	–	42181
Blue Chip Fd (2nd Series)	118.4	124 7	–	43130
Performance Fd 2nd Ser	115 9	122.1	–	43646
Adventurous Fd (2nd Ser)	119 7	126 1	–	43129
UK Prof & Fixed Int Fd	111 2	117.1	–	43649
UK Equity Fund	116 7	122.9	–	43648
Property Fund	99 8	105 1	–	43162

Guardian Royal Exchange
Royal Exchange, EC3 071-283 7101
Guardian Assurance

	Bid Price	Offer Price	Yield Gross	City-line
Property Bonds	668 1	695 9	–	42437
Choices With-Pfts Lg-ter	129.4	136.2	–	46080
Choices With-Pfts St-ter	121 9	128.3	–	46081
Choices Managed	161 2	169.7	–	46082
Choices Equity	166 0	174 7	–	46083
Freedom With Pfts Lng-Te	105.8	111.3	–	47973
Freedom With Pfts Shrt-Te	105 0	110.5	–	41771
Freedom Managed	96.0	101.0	–	47969
Freedom Equity	94 1	99 1	1.69	47964

Legal & General (Unit Pensions) Ltd
Kingswood House, Kingswood, Tadworth, Surrey 0737 370370

	Bid Price	Offer Price	Yield Gross	City-line
Ex. Bldg. Soc. Lnkd.	157.2	165.5	–	42745
Do. Accum	197 7	208 2	–	42746
Exempt Cash Init.	279.6	294 4	–	42747
Do. Accum	444 0	467.4	–	42748
Exempt Eqty. Init.	903.0	950.6	–	42749
Do. Accum	1433.6	1509.3	–	42750
Exempt Euro Init.	164 0	172.7	–	42751
Do. Accum	200.3	210 9	–	42752
Exempt Far East'n Init.	213 0	224.3	–	42753

Manulife Group – Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Pension Fund Prices				
Managed Init.	332 7		–	42914
Do. Accum.	490 9		–	42915
Property Init.	314.7		–	42916
Do. Accum.	465.4		–	42917
Equity Init.	419 4		–	42918
Do. Accum.	620 7		–	42919
Gilt-Edged Init.	560 9		–	42920
Do. Accum.	399 3		–	42921
Guaranteed Init.	207.3		–	42922
Do. Accum.	309 6		–	42923
International Init.	403 7		–	42924

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N & P Life Assurance Ltd
6-7 Bedford Row, London WC1R 4DJ 071-430 2348

	Bid Price	Offer Price	Yield Gross	City-line
Life Managed Fd	109.9	115.7	-	41924
Pension Managed Fd	110.1	115.9	-	41926
Life Deposit Fd	109.2	114.9	-	41923
Pension Deposit Fd	115.1	121.2	-	41925

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Managed Cautionary	115.9	122.0	-	47150
Managed Growth	141.8	149.3	-	47151
Managed Opportunity	141.8	149.3	-	47152
NFMC Target Financial	106.4	112.1	-	47153
Pension Funds				
Managed Cautionary	126.5	133.0	-	47154
Managed Growth	150.1	158.1	-	47155
Managed Opportunity	142.0	149.5	-	47156
NFMC Target Nat Pen	1587.2	1670.8	-	47157

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	Yield Gross	City-line
Surrender Pension Funds				
Managed	168.7	177.6	-	43141
UK Equity	181.0	190.6	-	43135
Overseas Equity	135.3	142.5	-	43136
Fixed Interest	150.9	158.9	-	43137
Property	135.0	142.2	-	43138
Index Linked	149.6	157.5	-	43139
Deposit	160.7	169.2	-	43140
With Profits (3)	131.6	138.5	-	44128

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	Yield Gross	City-line
Managed	365.0	384.3	-	43163
UK Equity	467.7	492.4	-	43164
Overseas Eq	352.0	370.6	-	43165

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	Yield Gross	City-line
UK Equity Acc	239.9	252.5	-	43411
UK Fixed Int Acc	182.8	192.9	-	43412
Intl Equities Acc	179.6	189.5	-	43413
UK Managed Acc	180.0	189.8	-	43414
Property Acc	224.2	236.6	-	43415
Money Acc	131.2	138.5	-	43416
Special Market Acc	150.0	158.3	-	43417
Japan Equity Acc	99.0	104.5	-	46760
North American Acc	108.2	114.2	-	43419
Pacific Acc	94.3	99.5	-	43420
Technology Acc	125.2	132.1	-	43421
Nat Resources Acc	54.3	57.3	-	43422
European Acc	102.8	108.5	-	43424
Residential Prop Acc	96.5	101.8	-	43425
Swiss Equities Acc	34.0	35.9	-	43426
Hong Kong Acc	68.1	71.9	-	43427
UK High Inc Eq Acc	77.8	82.1	-	43428
Int Fixed Interest Acc	58.9	62.2	-	46406
Int Managed Acc	57.4	60.5	-	46407
HIP Managed Acc	121.5	128.2	-	46751
HIP Managed II Acc	104.8	110.6	-	41928
HIP Managed III Acc	111.6	117.7	-	45881
Total Investment Bond				
UK Equity Initial		162.6	-	43429
UK Fixed Int Initial		124.4	-	43430
Intl Equities Initial		121.3	-	43431
UK Managed Initial		122.5	-	43432
Property Initial		153.7	-	43433
Money Initial		89.7	-	43434
Special Market Initial		116.5	-	43435
Japan Equity Initial		76.8	-	46762
North American Initial		83.9	-	43437
Pacific Initial		73.2	-	43438
Technology Initial		97.1	-	43439
Nat Resources Initial		42.0	-	43440
European Initial		92.2	-	43442
Residential Prop Init		92.1	-	43443
Swiss Equities Initial		32.5	-	43444

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Political froth

STERLING was able to shrug off lower interest rates last week. It held steady in the European exchange rate mechanism as the political pendulum appeared to swing in favour of the government and the market accepted that rates are falling in line with inflation.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Opinion polls giving the ruling Conservatives a lead over the opposition Labour Party supported the pound and left the market with a politically motivated froth, pushing wholesale interest rates below the new level of bank base rates.

There was a hint that the authorities were concerned about the situation when the Bank of England did not offer an early round of help to the money market on Friday, despite a large credit shortage, initially estimated at £900m.

This failed to develop into a signal of caution later in the day however as the central bank conducted its assistance through the bill market, rather than putting the brake on lower rates by lending funds for seven or fourteen days.

Looking ahead to possible interest rate moving events it is hard to see the authorities sanctioning another cut before the start of the Conservative Party conference in early October. The most obvious date appears to be October 11, when Mr John Major, the prime minister, addresses party members and the September retail prices index is published.

According to Union Discount Friday's headline inflation rate for August is likely to fall to 4.8 from 5.5 per cent. The September figure, published during the conference, is forecast at 4.3 per cent, with the low in the present cycle coming in October at 3.5 per cent. This figure is expected on November 15. Such statistics will provide food for thought for anyone considering a November general election.

£ IN NEW YORK

Sep.6	Close	Previous Close
£Spot	1.7180-1.7190	1.6938-1.6943
1 month	0.66-0.64pm	0.67-0.65pm
3 months	1.87-1.84pm	1.88-1.85pm
12 months	6.32-6.22pm	6.33-6.23pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

Sep 6	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.0	-20.5
U.S Dollar	66.3	-12.6
Canadian Dollar	106.5	+3.5
Austrian Schilling	108.8	+11.3
Belgian Franc	110.3	-2.7
Danish Krone	107.8	+2.5
D-Mark	116.5	+23.3
Swiss Franc	108.1	+16.8
Dutch Guilder	113.0	+15.1

POUND SPOT - FORWARD AGAINST THE POUND

Sep 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6900 - 1.7060	1.6975 - 1.6985	0.66-0.64cpm	4.59	1.89-1.86pm	4.42
Canada	1.9305 - 1.9355	1.9340 - 1.9350	0.35-0.27cpm	1.92	0.85-0.72pm	1.62
Netherlands	3.3000 - 3.3200	3.3000 - 3.3200	[illegible]cpm	1.13	[illegible]pm	0.76
Belgium	60.40 - 60.75	60.65 - 60.75	9-4cpm	1.29	19-9pm	0.92
Denmark	11.3360 - 11.3900	11.3800 - 11.3900	[illegible]orepm	0.46	1-[illegible]pm	0.22
Ireland	1.0955 - 1.1085	1.0995 - 1.1005	0.10-0.06cpm	0.87	0.21-0.11pm	0.58
Germany	2.9375 - 2.9470	2.9375 - 2.9425	[illegible]pfpm	1.28	[illegible]pm	0.85
Portugal	250.95 - 252.55	251.50 - 252.50	74-94cdis	-4.00	271-309dis	-4.60
Spain	182.90 - 183.90	182.90 - 183.20	23-34cdis	-1.87	85-105dis	-2.08
Italy	2190.95 - 2198.50	2193.25 - 2194.25	1-3lire dis	-1.09	7-9dis	-1.46
Norway	11.4800 - 11.5300	11.5200 - 11.5300	[illegible]orepm-par	0.20	[illegible]dis	-0.15
France	9.9800 - 10.0100	9.9800 - 9.9900	[illegible]cpm	0.90	[illegible]pm	0.63
Sweden	10.6650 - 10.7100	10.7000 - 10.7100	[illegible]orepm-par	0.14	[illegible]dis	-0.23
Japan	230.50 - 231.50	230.50 - 231.50	[illegible]ypm	2.92	[illegible]pm	3.03
Austria	20.68 - 20.75	20.68 - 20.71	[illegible]gropm	1.05	[illegible]pm	0.66
Switzerland	2.5825 - 2.5925	2.5825 - 2.5925	[illegible]cpm	2.03	[illegible]pm	0.97
Ecu	1.4315 - 1.4410	1.4325 - 1.4335	0.10-0.05cpm	0.63	0.21-0.14pm	0.49

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.48-3.43cpm. 12 Month 6.40-6.30cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6900 - 1.7060	1.6975 - 1.6985	0.66-0.64cpm	4.59	1.89-1.86pm	4.42
Ireland†	1.5360 - 1.5440	1.5390 - 1.5400	0.50-0.45cpm	3.70	1.48-1.43pm	3.78
Canada	1.1385 - 1.1420	1.1390 - 1.1400	0.24-0.27cdis	-2.69	0.78-0.83dis	-2.83
Netherlands	1.9400 - 1.9605	1.9525 - 1.9535	0.56-0.59cdis	-3.53	1.73-1.78dis	-3.59
Belgium	35.60 - 35.80	35.70 - 35.80	9.00-11.00cdis	-3.36	28.00-34.00dis	-3.47
Denmark	6.6640 - 6.7160	6.7025 - 6.7075	2.15-2.45oredis	-4.12	6.45-6.35dis	-3.82
Germany	1.7210 - 1.7410	1.7310 - 1.7320	0.49-0.51pfdis	-3.47	1.50-1.53dis	-3.50
Portugal	148.50 - 148.65	148.55 - 148.65	102-112cdis	-8.64	325-345dis	-9.02
Spain	107.45 - 108.45	108.25 - 108.35	0.58-0.61cdis	-0.07	1.71-1.79dis	-0.06
Italy	1285.00 - 1297.00	1291.75 - 1292.25	5.90-6.40liredis	-5.71	18.30-19.30dis	-5.82
Norway	6.7350 - 6.8005	6.7850 - 6.7900	2.35-2.65oredis	-4.42	7.35-7.95dis	-4.51
France	6.8550 - 5.9150	5.8775 - 5.8825	1.78-1.83cdis	-3.68	5.44-5.54dis	-3.73
Sweden	6.2525 - 6.3210	6.3025 - 6.3075	2.25-2.50oredis	-4.52	6.95-7.50dis	-4.58
Japan	135.50 - 136.45	136.05 - 136.15	0.16-0.18ydis	-1.50	0.39-0.41dis	-1.18
Austria	12.1380 - 12.2430	12.2100 - 12.2150	3.40-3.80grodis	-3.54	10.80-12.00dis	-3.73
Switzerland	1.5140 - 1.5310	1.5230 - 1.5240	0.30-0.32cdis	-2.44	0.92-0.94dis	-2.44
Ecu	1.1790 - 1.1850	1.1840 - 1.1850	0.40-0.38cpm	3.95	1.20-1.14pm	3.95

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Sep.6	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.698	2.940	231.0	9.985	2.588	3.315	2194	1.935	60.70	1.433
$	0.589	1	1.731	136.0	5.880	1.524	1.952	1292	1.140	35.75	0.844
DM	0.340	0.578	1	78.57	3.396	0.880	1.128	746.3	0.658	20.65	0.487
YEN	4.329	7.351	12.73	1000.	43.23	11.20	14.35	9498	8.377	262.8	6.203
F Fr.	1.002	1.701	2.944	231.3	10.	2.592	3.320	2197	1.938	60.79	1.435
S Fr.	0.386	0.656	1.136	89.26	3.858	1	1.281	847.8	0.748	23.45	0.554
H Fl.	0.302	0.512	0.887	69.68	3.012	0.781	1	661.8	0.584	18.31	0.432
Lira	0.456	0.774	1.340	105.3	4.551	1.180	1.511	1000.	0.882	27.67	0.653
C$	0.517	0.878	1.519	119.4	5.160	1.337	1.713	1134	1	31.37	0.741
B Fr.	1.647	2.797	4.843	380.6	16.45	4.264	5.461	3614	3.188	100.	2.361
ECU	0.698	1.185	2.052	161.2	6.968	1.806	2.313	1531	1.350	42.36	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

TOKYO			PARIS		
One month Bills	7[illegible]	Unch'd	Intervention Rate	9[illegible]	Unch'd
Three month Bills	6[illegible]	[illegible]	One mth. Interbank	9[illegible]	[illegible]
BRUSSELS			Three month	9[illegible]	[illegible]
One month	9[illegible]	Unch'd	MILAN		
Three month	9[illegible]	[illegible]	One month	11[illegible]	[illegible]
AMSTERDAM			Three month	11[illegible]	[illegible]
One month	9.18	-0.005	DUBLIN		
Three month	9.255	+0.11	One month / Three month	9[illegible]	[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Clydesdale Bank PLC
30 St Vincent Place, Glasgow G1 2HL 041 248 7070

£2,000-£19,999	8.25	6.19	8.51	-
£20,000-£49,999	8.70	6.53	8.99	-
£50,000+	9.20	6.90	9.52	-

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485

High Int Cheque Acc	11.25	8.44	11.73	-

Many other currencies are available – for rates please phone ext 2168

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

FINANCIAL TIMES STOCK INDICES

	Sep 6	Sep 5	Sep 4	Sep 3	Sep 2	Aug 30	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.62	86.50	86.38	86.39	86.16	85.96	86.62	82.17	127.4	49.18
Fixed Interest	95.34	95.33	95.32	95.35	95.27	94.94	95.35	90.59	105.4	50.53
Ordinary	2093.6	2092.5	2094.2	2096.4	2108.3	2079.3	2108.3	1606.3	2108.3	49.4
Gold Mines	162.0	161.0	160.2	156.5	150.5	149.5	222.8	127.0	734.7	43.5
FT Act All-Share	1284.07	1280.53	1279.89	1280.51	1283.65	1268.62	1284.07	987.46	1284.07	61.92
FT-SE 100	2667.4	2663.3	2664.6	2669.0	2679.6	2645.7	2679.6	2054.8	2679.6	986.9
FT-SE Eurotrack 100	1124.68	1126.92	1125.48	1128.91	1126.81	1125.84	1165.54	900.45	1165.54	900.45
FT-SE Eurotrack 200	1195.17	1196.88	1196.20	1198.60	1197.26	1189.66	1198.60	938.62	1198.60	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS—Contd

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1990: 129.9 and for July 1991: 133.8.

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
50	African Dv Bk 11¼Ln 2010	105[illegible]	1.1	1.12	4 Jan 4 Jun	-
100	Asian Dev Bk 10¼pcLn2009	100	0.9	28.3	24Mar 24Sep	-
75	Int-Am Dev Bk 12½pc 2003	113[illegible]	0.8	7.12	8Jan 8Jul	-
175	Do. 9¼ pcLn 2015	94½	1.1	13.10	15 May 15 Nov	-
50	Utd. Mexican States 16½pc 2008	123½	-0.2	28.1	1Mar 1Sep	-

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

25	Met. Wtr. 3pc 'B'	53	1.9	1.8	1Mar 15Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Week % change	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	50		7.00	1.11	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	50		6.00	1.2	1Feb 1Aug	2762
-	Do 4pc Mixed Ass.	50		4.00	3.4	1Apr 1Oct	2761
1	Hung. '24 Ass.	55		3.57	3.5	1May	2935
40	Hydro Quebec 15pc 2011	150[illegible]	0.9	11.11	27.10	31May 30Nov	-

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 6 1991: US Dollar Index	% chg ($) since 31/12/90	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/90	Gross Div. Yield	THURSDAY SEPTEMBER 5 1991: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1991 High	1991 Low	Year ago (approx)
Australia (69)	149.85	+26.9	130.84	128.91	134.89	126.72	+24.5	4.84	149.82	131.20	128.66	135.54	126.75	151.58	112.74	142.63
Austria (20)	182.86	-7.0	159.67	157.32	164.62	164.91	+7.8	1.72	181.99	159.37	156.26	164.63	164.41	222.37	154.82	220.60
Belgium (47)	129.28	-2.2	112.86	111.20	116.36	113.86	+12.9	5.20	129.86	113.72	111.51	117.47	114.65	151.20	118.04	140.11
Canada (114)	138.89	+6.8	121.27	119.49	125.02	114.60	+4.9	3.31	138.78	121.53	119.17	125.53	114.66	142.27	126.49	130.58
Denmark (37)	251.58	+8.1	219.67	216.45	226.48	229.43	+25.5	1.54	251.45	220.20	215.93	227.47	229.74	270.56	217.74	256.87
Finland (18)	95.61	-7.3	83.48	82.26	86.07	84.87	+8.2	2.84	95.04	83.23	81.62	85.98	84.39	125.15	89.53	120.36
France (108)	138.15	+4.8	120.60	118.83	124.33	127.40	+21.2	3.48	137.92	120.78	118.43	124.76	127.81	152.26	119.11	136.65
Germany (85)	109.21	-2.4	95.35	93.96	98.31	98.31	+13.0	2.29	108.56	95.07	93.24	98.20	98.20	125.35	94.15	119.11
Hong Kong (55)	165.20	+35.8	144.25	142.12	148.72	164.55	+34.9	4.29	166.34	145.67	142.84	150.48	165.59	169.98	119.62	124.53
Ireland (18)	156.38	+5.3	136.54	134.53	140.77	143.13	+21.6	3.50	155.94	136.56	133.91	141.06	142.91	182.48	132.98	145.03
Italy (77)	72.28	-7.7	63.10	62.17	65.05	69.73	+5.7	3.35	72.24	63.26	62.03	65.35	69.97	88.23	64.76	88.74
Japan (474)	127.76	+2.4	111.55	109.91	115.02	109.91	+2.7	0.77	127.08	111.29	109.13	114.98	109.13	146.97	118.23	126.01
Malaysia (68)	207.59	-2.1	181.25	178.56	186.86	221.78	+0.5	2.74	209.40	183.37	179.81	189.42	224.12	247.78	189.18	219.31
Mexico (18)	1210.86	+107.2	1057.25	1041.71	1090.02	4035.87	+113.9	1.35	1215.69	1064.60	1043.95	1099.74	4051.96	1226.13	534.45	511.17
Netherland (34)	139.53	+4.2	121.82	120.03	125.60	124.37	+20.6	4.31	139.50	122.16	119.79	126.19	124.79	145.73	125.70	138.73
New Zealand (14)	47.14	+8.8	41.16	40.55	42.43	43.03	+9.7	7.08	47.40	41.51	40.71	42.88	43.42	54.64	41.18	61.01
Norway (31)	198.88	-2.8	173.65	171.10	179.04	183.22	+12.4	1.54	199.60	174.80	171.41	180.57	184.09	223.24	178.58	270.76
Singapore (38)	197.65	+24.1	172.57	170.04	177.92	156.30	+22.5	2.28	197.61	173.05	169.69	178.76	156.45	208.25	151.63	167.44
South Africa (61)	242.61	+32.7	211.83	208.72	218.39	171.35	+25.8	3.18	241.45	211.44	207.34	218.42	169.99	258.85	173.00	177.15
Spain (53)	151.38	+7.9	132.18	130.24	136.27	124.20	+22.3	4.32	151.69	132.83	130.26	137.22	124.62	171.12	131.51	148.11
Sweden (25)	187.84	+17.8	164.01	161.60	169.10	175.32	+32.1	2.53	188.23	164.84	161.64	170.28	175.90	204.12	146.60	196.68
Switzerland (58)	92.41	+3.9	80.69	79.51	83.20	87.28	+24.2	2.21	92.44	80.95	79.39	83.63	87.54	100.67	82.17	94.16
United Kingdom (240)	181.71	+8.7	158.65	156.31	163.56	158.65	+24.7	4.64	180.78	158.31	155.23	163.52	158.31	187.44	156.27	160.90
USA (527)	157.92	+18.5	137.89	135.87	142.17	157.92	+18.5	3.07	157.94	138.31	135.63	142.88	157.94	161.02	125.85	130.37
Europe (827)	141.00	+4.8	123.11	121.30	126.93	125.63	+20.4	3.80	140.57	123.10	120.71	127.17	125.66	151.52	125.50	138.08
Nordic (108)	184.77	+10.2	161.33	158.96	166.33	163.93	+25.9	1.98	184.93	161.95	158.81	167.29	164.31	200.81	155.55	199.78
Pacific Basin (718)	129.30	+4.2	112.89	111.24	116.40	111.75	+4.4	1.12	128.73	112.73	110.55	116.45	111.08	145.92	117.86	126.47
Euro-Pacific (1545)	134.27	+4.3	117.23	115.50	120.86	116.01	+10.6	2.24	133.75	117.13	114.85	120.99	117.61	147.66	121.29	131.54
North America (641)	156.67	+17.8	136.79	134.80	141.06	154.99	+17.7	3.08	156.68	137.20	134.56	141.78	155.01	159.66	125.91	130.30
Europe Ex. UK (587)	117.07	+1.3	102.22	100.74	105.41	106.75	+17.3	3.15	116.90	102.37	100.40	105.77	106.98	129.80	103.58	123.45
Pacific Ex. Japan (244)	144.57	+24.8	126.23	124.40	130.16	128.22	+23.8	4.29	145.08	127.05	124.60	131.25	128.72	147.60	111.40	131.11
World Ex. US (1736)	136.21	+5.1	118.93	117.18	122.62	119.41	+11.1	2.29	135.71	118.84	116.54	122.77	119.01	148.16	122.32	132.18
World Ex. UK (2023)	138.79	+8.9	121.19	119.41	124.96	128.74	+12.6	2.33	138.52	121.31	118.96	125.32	128.48	145.77	120.06	127.55
World Ex. So. Af. (2202)	141.86	+9.6	123.86	122.05	127.71	131.20	+13.6	2.57	141.54	123.95	121.55	128.05	130.94	148.66	122.92	130.23
World Ex. Japan (1789)	151.89	+13.4	132.45	130.51	136.57	143.47	+19.4	3.39	151.55	132.71	130.15	137.11	143.51	152.83	126.69	134.14
The World Index (2263)	142.51	+9.6	124.43	122.61	128.30	131.54	+13.9	2.59	142.19	124.52	122.11	128.64	131.27	149.01	123.28	130.51

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local): Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

The following constituent change took place during the week ending 6/9/91: Deletion: Petromed (Spain).

LONDON SHARE SERVICE

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DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

1.44	WAF MIN Hldgs.	6	......	1.8	–	Apr	–
3.53	Bracken 90c.	25¼	13.5	‡	29.4	Jun Nov	1928
14.6	East Dagga R1	185	–0.5	11.6	31.5	Dec Jun	2396
51.8	Eastern Trns. Cn. 2½c.	68	–9.1	5.0	17.6	Jul Jan	–
58.8	ERGO 50c.	129	–0.8	11.6	20.5	Dec Jun	2398
7.44	Grootvlei 25c.	65	21.5	10.7	29.7	Sep Mar	2779
139.5	Kinross R1.	775	9.9	‡	29.4	Jun Nov	3092
9.76	Leslie 65c.	61	18.4	‡	29.4	Jun Nov	3157
1.63	Randex 25c.	18	......	–	17'86	–	–
1.84	S. African Ld. 35c.	28	......	–	12.8	Mar Sep	4763
1.22	Viakfontein 20c.	18	......	–	6'88	–	–
91.7	Winkelhaak R1.	753	–0.5	‡	29.4	Jun Dec	4522

Far West Rand

28.8	Blyvoor 25c.	120	6.2	5.4	12.8	Mar Aug	1857
75.5	Buffels R1.	686	7.4	6.6	29.7	Mar Sep	2000
135.4	Deelkraal 20c.	136	20.4	3.2	1.7	Feb Aug	2330
21.2	Doornfontein 25c.	53	8.2	–	6'89	–	2364
1,415.8	Driefontein 50c.	694	12.7	4.7	1.7	Aug Feb	1062
372.4	Elandsrand Gld. 20c.	384	12.3	1.6	12.8	Mar Sep	2432
18.7	Elsburg R1.	62	22.8	–	1'87	–	2453
370.7	Hartebeest 10c.	391	6.1	6.5	17.6	Jan Jul	2841
623.7	Kloof Gold 25c.	515	8.4	3.8	1.7	Feb Aug	3104
16.5	Libanon 20c.	41¼	6.5	–	27.12	Feb Aug	3163
357.5	Southvaal 50c.	£13¾	6.8	5.1	12.8	Sep Mar	4065
8.88	Stilfontein 50c.	68	5.4	‡	28.1	Mar Aug	4117
690.5	Vaal Reefs 50c.	£36¼	9.5	6.1	12.8	Mar Sep	4382
8.71	Venterspost 25c.	43¼	26.4	–	3.7	–	1218
37.1	Western Areas R1.	92	7.0	–	1'87	–	4476
516.1	Western Deep R2.	£18¾	9.6	3.6	12.8	Mar Sep	4477
58.6	Zandpan 10c.	45	......	8.1	3.7	Aug Jan	1234

O.F.S.

263.5	Beatrix Mines.	310	......	4.9	11.3	Apr Oct	1782
495.7	F.S. Cons. Gold 50c.	421	6.0	7.1	20.5	Jun Dec	2629
7.41	Free State Dev. 10c.	34	......	–	–	–	2630
89.3	Harmony 50c.	332	4.7	‡	3.4	Feb Aug	2833
93.1	Joel (H.J.) Gold 1c.	95	5.6	–	–	–	3044
16.7	Loraine R1.	102	15.9	–	14.11	–	3220
39.1	St. Helena R1.	406	3.0	15.1	29.7	Mar Sep	4087
49.6	Unisel.	177	8.6	‡	29.4	Jun Nov	4356

Diamond and Platinum

1,900.8	Anglo Am. Inv. 5c.	£19	......	4.3	29.4	Dec Jun	–
5,711.7	De Beers Lnkd Units.	£15¾	–0.6	4.0	2.10	Nov May	2322
2.48	Do. 40pc Pf. R5.	310	......	13.8	1.7	Feb Aug	–
549.8	Impala Plat. 20c.	899	3.2	6.8	25.2	Mar Oct	2970
118.8	Lydenburg 12½c.	750	......	6.0	25.2	Mar Oct	–
205.1	Northam Platinum.	356	1.7	–	–	–	3523
1,432.4	Rus. Plat. 10c.	1143	–0.3	6.8	11.2	Mar Oct	3890

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

–	♥Thorco Res. Inc. ‖	10½	......	–	–	–	–
2.14	♥Vizcaya Hldgs 5p. β	4	......	–	–	–	4193
11.4	♥Young Group 10p. β	122xd	0.4	5.7	2.9	May Oct	5080

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ₮ Price at time of suspension
- ‡ Not comparable
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1. β	640	......	
Finlay Pkg. 5p. β	28	5.3	
Holt (Jos) 25p. β	1973	–0.1	

IRISH

Cap. 8¼% Ln. 2010	£94½	0.1
9pc Cap Ln. 1996	£98½	0.1
Fin. 13% 97/02	£114	1.3
Arnotts	175	......
Helton Hldgs. γ	45xd	......
IRG	130	......
United Drug	180	2.9

TRADITIONAL OPTIONS
3-month call rates

Industrials p

Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp.	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd.	39
ICI	80
Ladbroke	22
Legal & Gen.	36
Lex Service	20
Lloyds Bank	38
Lucas Inds.	13
Marks & Spencer	21
Midland Bk.	18
Nat West Bk.	27
P & O Dfd.	51
Racal Elect.	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petlm.	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm.	18
Gaelic Res.	1
Premier	6
Shell	41
Tuskar Res.	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

4:00 pm prices September 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.03	17	211	16	15¾	15⅞	-⅛
18¼	14½	A L Labs A	0.16	0.01	17	170	16¼	15¾	15¾	-½
65¼	40⅞	AMP Inc	1.44	0.03	20	833	53⅞	52⅞	53¼	-½
68⅝	44¼	AMR				104684	57⅛	56⅛	56½	-⅞
2⅝	1¼	ARX			1	100	1¼	d1¼	1¼	
58	41½	ASA	3.50	0.08	13	444	45¾	44⅞	45¾	+⅞
65¼	39¼	Abbott Lab	1.00	0.02	22	5228	54⅝	53½	54½	+½
14⅞	9⅞	Abitibi Pr	0.50	0.03	28	288	14½	14⅜	14⅜	
11⅝	10⅞	ACM Gvt In	1.26	0.11		1312	11⅝	11¼	11⅝	
9¾	8¼	ACM GvOpp	1.01	0.11		62	9½	9⅜	9½	+⅛
9⅛	8⅛	ACM Gvt Sp x	1.01	0.11		330	9⅛	9	9	
11	9⅞	ACM Gvt Se	1.26	0.12		600	10¾	10⅝	10⅝	-⅛
8⅝	7⅝	ACM Man x	1.01	0.12		313	u8⅝	8½	8½	
12⅞	11½	ACM Managd	1.35	0.11		350	12⅜	12¼	12⅜	+⅛
7½	4¾	Acme Cleve	0.40	0.06	17	80	6⅝	6½	6⅝	+⅛
6	3⅜	Acme Elect			3	28	4⅞	4¾	4⅞	+⅛
40	22¼	Acuson			23	923	33⅞	33	33⅝	+⅝
19⅛	14¼	Adams Expr	0.73	0.04	0	68	18⅞	18⅞	18⅞	
20⅛	17½	Adobe12Pf	2.40	0.12		11	19¼	19	19¼	+¼
9¾	6⅝	Adobe Res			50	42	7⅝	7½	7⅝	
38⅞	18	Ad Micro				153	38½	38	38	-⅞
14⅛	4⅝	Ad Micro P	3.00	0.25		194984	12	11⅝	12	+⅞
5⅛	2¼	Advest Grp	0.16	0.04	5	7	3½	3⅜	3½	
48⅛	33¾	Aetna Lf	2.76	0.08		76235	34½	34	34⅛	+⅜
10⅝	6⅝	Affil A	0.24	0.03	48	404	8¾	8⅝	8¾	
20⅞	12	Ahmanson	0.88	0.05	11	974	18¾	17½	18¼	+¾
13⅞	2⅞	Aileen Inc			14	202	11⅞	11⅛	11⅛	-⅝
74⅛	51⅝	Air Pr Chm	1.56	0.02	14	531	68⅛	67⅝	67⅝	-⅛
30	16⅝	Airbne Frt	0.30	0.01	19	789	26¾	26⅜	26¾	+½
18⅞	12½	Airgas Inc			100	113	18	18	18	-⅛
16¼	10	Airlease	2.06	0.17	6	11	12	11⅞	11⅞	
96½	88¼	AlaPwd.16 x	8.16	0.08		5	93½	93½	96	+1

- B -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
36	25½	Barcla ADR	1.76	0.06	16	10	32	32	32	
28⅞	14⅞	Bard (C R)	0.48	0.02	26	1133	25⅞	24⅞	24¾	+¼
38¾	28	Barnes Grp	1.40	0.04	14	439	35¼	34¾	35	-⅛
36⅞	15½	Barnett Bk x	1.32	0.04	28	1340	32⅝	32½	32¾	
8⅞	4⅞	Baroid	0.20	0.03	15	434	6⅝	6⅜	6⅜	-⅛
10⅝	5⅞	Battle Mt	0.10	0.01	47	3084	7¾	7¼	7⅝	+⅜
55¼	31¾	Bausch Lab x	0.72	0.02	19	760	46⅛	45⅝	46	
44⅛	35¾	Bader Pf x	3.63	0.09		16	42⅛	41¾	42	
37⅛	25⅝	Baxter x	0.74	0.02	17	2907	35½	34⅝	34⅝	-⅝
21½	18⅝	Bay St Gas	1.34	0.07	12	21	20⅜	20	20⅛	
22	20	Bd Tr 1838	1.88	0.09		7	21⅝	21½	21⅝	
15¾	8.95	Bear Strns	0.60	0.04	10	1442	14¼	14⅛	14⅛	-¼
39	35½	BearStPfA	3.60	0.10		2	37	37	36	-1
23¾	15¾	Bearings	0.64	0.03	35	17	21⅞	21⅝	21⅞	-⅛
13¾	3¾	Beazer ADR				148536	6⅞	6¾	6⅞	+⅛
20½	13⅞	Beckman In	0.28	0.01	16	1289	u20⅝	19¾	20	-⅛

Continued on next page

NYSE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
25¼	22¼	RoyBkScot x	2.61	0.11		115	25¼	25⅛	25¼	
84¾	73¼	RylDutch	4.23	0.05		103908	82	80⅝	81⅞	+¼
11	7½	Royce Val				112	9⅞	9¾	9⅝	-⅛
59½	37	Rubbermaid	0.60	0.01	29	941	57	55¾	56¼	-⅜
18¼	13½	Ruddick	0.24	0.02	13	130	16	15⅝	15¾	
18¾	13	RussBerrie	0.60	0.03	14	25	17½	17¼	17⅜	
7⅞	4	Russ Togs	0.20	0.04	1	127	5	4⅞	5	+⅛
29⅝	19¼	Russell Cp	0.52	0.01	23	387	29¼	28½	29	-⅜
21⅞	14	Ryder Sys x	0.60	0.03	25	1479	17⅞	17⅜	17⅞	+⅜
25¼	13¾	Ryland Grp	0.60	0.03	36	767	22¼	22	22⅛	+1⅛
- S -										
26½	20⅛	S Anita Rt	2.05	0.08	19	17	25¼	25	25¼	
16¼	11⅞	SCOR US Cp	0.24	0.02	82	100	13⅞	13⅛	13½	+¼
37	20¾	SPS Techno	1.28	0.05	12	34	28½	28⅜	28½	+⅛
2⅛	⅛	SaatchiADS			0	791	⅞	d⅛	⅞	+⅛
13	11	Sabine Rit	1.71	0.14	7	65	12⅛	12⅛	12⅛	-⅛
9⅞	5⅞	Safecard	0.15	0.02	7	509	8⅞	8⅞	8⅞	-⅛
13⅞	8⅝	Safeg'd Sc			3	83	11⅞	11	11⅞	+⅛
37	25	SafetyKln x	0.32	0.01	26	658	29⅝	28⅞	28⅞	-⅞
21⅞	11⅞	Safeway			17	392	18½	18⅛	18⅛	-⅛
4⅞	2⅞	SafewayW95				599	4⅛	4	4	-⅛
35⅞	25⅞	StJoePaper x	0.20	0.01	34	38	32	31⅛	31½	-⅜
[illegible]										

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
- X - Y - Z -										
60⅛	39¾	Xerox x	3.00	0.05	10	1431	58⅞	57⅞	58	-½
51½	43⅞	Xerox4.125 x				73	u51½	51⅜	51½	
21½	14⅛	Xtra 1.94				9	21⅛	21	21	-⅛
24⅞	14⅛	Xtra Corp	0.72	0.03	79	5	23½	23½	23¾	
24¼	21¼	Yankee Egy x	1.60	0.07	11	30	23⅝	22⅞	23½	+⅛
1½	⅞	Zapata			3	155	1⅜	⅞	⅞	
9⅞	5½	ZenithElec			1	228	6	5⅝	5⅞	-⅛
18½	12	Zenith Nat x	1.00	0.06	97	14	16¾	16¼	16⅝	
6¼	4½	Zenix Inc	0.84	0.14		110	6	5⅞	6	+⅛
15¼	10⅞	Zero Corp	0.40	0.03	17	46	15	14⅞	15	+⅛
41⅞	29½	Zurn Ind	0.88	0.02	15	374	37	36¾	36⅞	+½
13½	10⅛	Zweig Fund	1.12	0.09		224	12¼	12	12⅛	
10⅛	8½	Zweig Tot x	0.96	0.09		987	u10⅛	10	10⅛	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices September 6

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G		7	365	11⅛	11	11⅛	+⅛
Perini		7	6	10½	10⅛	10½	+⅛
Pet HIP x	0.31	12	5	10⅛	10⅛	10⅛	+⅛
Phil LD	0.17	8	586	22½	21⅛	21⅛	-⅛
Pittway A	0.70	9	33	23⅛	22½	22⅞	+⅛
[illegible]							

NASDAQ NATIONAL MARKET

4:00 pm prices September 6

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

MONDAY INTERVIEW

The FO man who went native

Sir Charles Powell, Mrs Thatcher's foreign policy adviser from 1984 until she resigned last year, talks to **Edward Mortimer**

In photographs of Mrs Margaret Thatcher, during her last six years at Number 10 Downing Street, a heavy-looking man, sometimes carrying an umbrella, is often visible close to her left shoulder, especially when she was travelling abroad or greeting foreign visitors. This was her private secretary, Charles Powell (since knighted in her resignation honours).

Like his predecessors serving her and earlier British prime ministers, Sir Charles was a career diplomat, propelled into the job by the mysterious but well-oiled machinery of the Foreign Office personnel department. But whereas previous incumbents had moved on after a two-year stint, Sir Charles stayed. It was no secret that Mrs Thatcher was reluctant to let him go.

As the years went by he achieved an almost legendary reputation as an *éminence grise*. Some of his former colleagues could be heard grumbling that, instead of helping to bring the prime minister round to Foreign Office views, he had become "more Thatcherite than Thatcher". He was credited, especially, with authorship of the 1988 Bruges speech which, against Foreign Office advice, sharpened the contrast between her vision of a Europe based on sovereign nation-states and the federalist rhetoric preferred by most of her EC partners.

As a civil servant, Sir Charles's own lips were sealed. But three weeks ago he joined the private sector, becoming a director of Jardine Matheson, the Hong Kong-based trading group, and as such free to speak his mind on public affairs. His response to the charges listed above is, in essence, "guilty and proud of it".

He did not quite agree with my description of him as "the foreign office man who went native at Number 10", but only because he had already been a strong admirer of Mrs Thatcher long before he went there. Today that admiration is even stronger. It would be hard, he says, "to think of any earlier British prime minister that has played such a role". Indeed, without her influence over Mr Mikhail Gorbachev, during his first years as Soviet leader, "the world would have been worse off".

Sir Charles believes Mrs Thatcher played an important part in Mr Gorbachev's thinking "at a very early stage", particularly by encouraging him to develop the concept of "devolution of power", and to pursue a co-operative relationship with the US, putting his trust in President Ronald Reagan. She was, he says, "a bit of a stalking horse" for the US president, but this was a useful and beneficial role to play, since "she could express what Mr Reagan thought so much better than he could himself".

Sir Charles also identifies strongly with Mrs Thatcher's policy towards South Africa, especially her refusal to adopt sanctions in spite of pressure from the Commonwealth. "She was absolutely right. What has the Commonwealth contributed to South Africa? Ab-so-lute-ly NOTHING." (At this point he even begins to sound a bit like his heroine.) He sees her as someone unencumbered with "a world view" but guided by "strong principles" and a "strong belief in following Britain's national self-interest".

Did she, I asked, ever consider the possibility that her principles might conflict with British interests? "I don't think," Sir Charles replied, "it was something that kept her awake at night. I don't think principles were a guide to action on a day-to-day basis. They were the sort of background to your foreign policy." Sir Charles is unafflicted by false modesty about his own role at Number 10: "Of course you are, or you should be, only an adjunct of the prime minister. But quite honestly, the way modern government works, the way which increasingly foreign affairs works, I don't think it's reasonable to expect someone to be just a sort of little robot working as a civil servant in Number 10, especially if you stay longer than the prescribed two years."

He agrees that the difference between himself and his former colleagues was sharpest on Europe. "My own approach to Europe was very much articulated in the Bruges speech, which is not surprising because I wrote it ... I'm just less internationalist than they are. I'm not saying they're all like that. But although I had very happy times there I never felt entirely comfortable."

He does, however, defend his colleagues against the accusation of disloyalty. I asked whether on this point he thought Mrs Thatcher would agree with him.

"I think there's something very deep there. It goes back a long way with her ... She grew up in the company of a part of the Conservative party which saw the Foreign Office as an instrument for giving away British interests and power, and she brought that attitude with her into opposition and to some extent into her time as prime minister, though I don't think it was anything like as strong by then. And she had this curious ability to distinguish between the Foreign Office, of which I think she remained suspicious to the end, and the people who made it up, of whom she admired very many. She got on extremely well with them, and had a good eye, I think, for selecting and promoting the best of them."

Similarly, he recalls, "she drew a distinction between the Foreign Office and our embassies abroad ... She never wanted Foreign Office officials to accompany her on visits abroad: she didn't need a delegation, she knew what she was going to say. But our ambassador was our representative on the spot, and she thought that he should be seen sitting on the right hand of God, as it were."

Sir Charles claims he was not conscious of any personal hostility from Foreign Office colleagues "except in one or two isolated cases". But he does believe there was "a resentment that a degree of say in foreign affairs had been taken away to Number 10, more probably than had happened since Churchill's time". That, he thinks, was inevitable when the prime minister had served so long.

"When you've been around for nearly 12 years as prime minister you just know the issues better than most Foreign Office officials who've been dealing with it for two or three years. You know the people better, can better judge their reactions."

This prime ministerial longevity seems to merge in Sir Charles's mind with his own role and his network of contacts with opposite numbers in Paris, Bonn and Washington – contacts which, he thinks, proved valuable during the Gulf war when he stayed on to assure continuity in the first months of Mr John Major's government.

Sir Charles is anxious to stress his admiration for Mr Major, whom he describes as "very determined, very shrewd". He even accords him one virtue which Mrs Thatcher lacked: "he's got that intensely political approach". Sir Charles claims to have told Mrs Thatcher to her face that she "did sometimes neglect the political dimension, she was too much concerned with the substance and not enough with the politics".

He also admires Mr Douglas Hurd, whom he regards as "probably the best foreign secretary we've had since the war". But the best he can find to say about Mr Hurd's predecessor Sir Geoffrey Howe is that he was "an extremely good negotiator, a master of detail". Much of the "disharmony" between Number 10 and the Foreign Office he attributes to the "increasing distance" between Mrs Thatcher and Sir Geoffrey, and he claims that many of the problems disappeared after she removed Sir Geoffrey from the Foreign Office in 1989.

He contests strongly the idea that on Europe Sir Geoffrey and the Foreign Office eventually won the day. "You can't tell that yet. You'll have to wait and see what comes out of the European Council in December, and possibly longer than that." There is, he insists, "much greater continuity than is often recognised between Mr Major's policies and Mrs Thatcher's on Europe".

Mr Major, Sir Charles thinks, "is steering things in a way that will probably make it possible for us to win, in the sense that we don't see Europe going ahead as a fully-fledged federal polity, a fully-fledged economic and monetary union that a lot of people in Europe would like to see. And if we don't do that, then it will be a victory for Mrs Thatcher, Mr Major, Mr Hurd, and others."

Ashley Ashwood

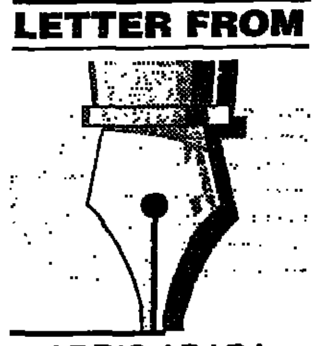
He became 'more Thatcherite than Thatcher'

PERSONAL FILE

1941 Born Haywards Heath, Sussex. Educated at at King's School, Canterbury, and New College, Oxford.
1963 Entered Diplomatic Service. (Served in Helsinki, Washington and Bonn.)
1979 Special counsellor for Rhodesia negotiations.
1980 Counsellor, UK permanent representation to European Communities.
1984-90 Private secretary to the prime minister.
1991 Director, Matheson & Co.

The suffering grows in the Horn of Africa

LETTER FROM



ADDIS ABABA

A child had just died in birth, the umbilical cord cruelly twisted around its neck. As women gave out the low, keening sound of grief, gravediggers arrived to carry the infant away to primitive burial.

Here at Jan Meda, a large, boggy field in the centre of Addis Ababa, thousands of displaced and destitute people huddle together in the damp and cold, fearing death.

Anne Cleary, an Irish nurse, one of the few health workers in the camp, is overwhelmed by the suffering. "This is just awful," she says. "People have nothing. They are so tired and hungry. Everything is going round in circles. There doesn't seem to be any solution."

At Jan Meda, which once served as the Emperor's polo field, 17,000 people are living in tents provided by relief agencies. Their food ration is just two hard bread buns a day. And they represent only a small fraction of the more than 1m displaced Ethiopians after the end of Ethiopia's civil war.

It is the rainy season in Ethiopia, and this year in some parts of the country the rain has come in torrents, mocking predictions of drought that many feared would lead to a repeat of the great famine of 1984-85. But the torrential rains have brought their own problems, making roads impassable and preventing relief supplies reaching the needy in outlying areas of Tigray and Welo in the north, and on the fringes of the Ogaden desert in the south.

Peggy Florida, representative in Addis Ababa of Canada's official aid agency, says the main problem facing the country now is what to do with these hundreds of thousands of displaced people, many of them soldiers from the defeated army of ousted dictator, Mengistu Haile Mariam.

Mengistu, who fled to Zimbabwe in May just days before his army collapsed, was spending between 55 and 70 per cent of the national budget on the war against rebels in Eritrea in the far north, and in the provinces of Tigray and Welo. It was a long conflict that bankrupted the nation, ruined its infrastructure and prevented the movement of food from surplus to deficit areas.

Ethiopia's Soviet-supplied military numbered about 330,000, the largest standing army in black Africa. Now, thousands of these soldiers, many wounded and diseased, have been placed in camps run by the Red Cross, pending their return to their home areas where prospects of their finding jobs, except in subsistence agriculture, are slim.

"It's terrible when an army collapses like that," said an Ethiopian official in Addis Ababa. "They are like children far from home."

Adding to the problems of the central government of President Meles Zenawi, leader of the rebel coalition that ousted Mengistu, are moves by Eritrea to separate itself from Ethiopia. Fearing possible reprisals and deprived of jobs, non-Eritreans previously resident in places like the Eritrean port of Assab are among those who have converged on Addis Ababa, swelling the city's population from 2m to nearly 3m.

The new government appears overwhelmed by its problems, although it gets marks for doing its best under near impossible circumstances. Walter Stocker of the Red Cross describes the task as "enormous" and says the repatriation of soldiers alone is "equivalent practically to reintegrating the coalition forces in the Gulf into normal civilian life with limited resources."

And to describe Ethiopia's resources as limited is putting it mildly. Shattered by war and burdened by lingering tribal disputes, it is the poorest country in the world, with 50m people, a land area the size of South Africa and per capita gross domestic product variously estimated to range between $90 and $125. It is also one of the few countries in the world whose people have a life expectancy of less than 45.

Aid workers in Addis Ababa say they cannot be sure of ensuring adequate food supplies for poor peasant farmers in the north to keep their strength up for the harvest due in November/December.

Transport is a key problem. The appalling condition of roads in the Ethiopian highlands and lack of trucks slows food distribution. In Makalle, Chekol Kidane, an official of the Relief Society of Tigray, said his organisation had been obliged to reduce the numbers getting a 15kg per month grain and flour ration by 40 per cent because of supply problems.

"People are suffering the consequences of last year's drought," he says. "There is not enough food to eat, and people are not strong enough to work in the fields. They are starving. You can see it in the swelling of their bodies which is a sign of malnutrition."

Perhaps the area in most critical need is in the south near the border of Somalia – which itself has been torn apart by a bloody civil war. Aid workers estimate that some 400,000 Somalis have crossed into Ethiopia, along with large numbers of returning Ethiopians who had earlier taken refuge in Somalia.

According to Elizabeth Stone of the Christian Relief and Development Association, an Addis-based organisation that helps co-ordinate the work of non-government agencies in Ethiopia, the "nutritional situation is dropping and dropping" in the region around Dire Dawa near the northern Somali border and further south towards the Ogaden. This is partly because of the difficulty of moving food to the affected areas.

Recent rains have made roads almost impassable and food that is being airlifted from the Red Sea port of Djibouti is piling up at distribution centres. "The danger," she says, "is that you reach a point where you can't get people back on their feet."

Tony Walker

A call for minimum deterrence

IAN DAVIDSON
on Europe

The disintegration of the Soviet Union is ringing alarm bells over the future of its nuclear arsenal. Soviet and republican politicians have assured the world that there is no danger. But the uncertain credibility of those assurances has been exposed by the news over the weekend that the US and the Soviet Union are now talking about a new phase of negotiations on short-range nuclear weapons.

The US is saying that the changes in Europe have reduced the military requirement for these weapons. But the real reason is that east-west negotiation may be the only way to guarantee that the disintegration of the Soviet Union does not lead to a descent into hell.

The disintegration is now taking place relatively calmly. But we have already seen enough inter-ethnic violence to know that it could recur. And the near-certainty of economic collapse makes a recurrence quite likely.

Before there is a further deterioration in the political situation in the Soviet Union, the world has a vital interest in seeking new guarantees that such conflict could not "go nuclear".

This is a problem for which the west can offer some help. What is required is an impartial arrangement to guarantee an unbridgeable firebreak between political conflict and nuclear weaponry. Such an arrangement is only possible as part of an international treaty, implemented with international verification.

The elimination of all categories of nuclear weapons which could be most vulnerable to misuse is probably the one way in which such firebreak could be established.

Western experts are not primarily worried about the control of long-range strategic missiles, because these large systems are rigorously controlled from the centre and their technical safeguards against unauthorised use are massively redundant. Moreover, leaders in Ukraine and Kazakhstan have publicly disavowed any desire for national control of nuclear weapons, and are reportedly seeking to move "their" nuclear weapons to Russian territory.

But much greater uncertainty must surround short-range and tactical weapons, because they are smaller, more mobile and much more numerous. If the west really wants to help the people of the Soviet Union, therefore, it should immediately propose a new round of nuclear arms control negotiations, with the objective of eliminating whole categories of short-range and tactical nuclear weapons.

At first sight, this may seem an anachronistic nostrum, which harks back to the dear dead days of détente, perestroika and arms control. The difference is that the nuclear arms control suggested here would be primarily designed to guarantee the security of the peoples of the Soviet Union, not to ensure against a threat *from* the Soviet Union.

There is no point in seeking political guarantees from existing political authorities, since no-one knows how long they will survive; if there is a danger, it is from unauthorised use or accident. And there is not much point trying to pick and choose: if we want to rule out this danger, we must eliminate all short-range and tactical nuclear weapons.

Moreover, if we want the Soviets to get rid of all their short-range weapons, we shall have to get rid of all ours. In other words, we must think of a treaty eliminating all these weapons in the west as well as the east. A successful precedent exists in the 1987 US-Soviet Intermediate-range Nuclear Forces treaty, which eliminated all intermediate-range Euro-missiles.

Such a suggestion is bound to raise the hackles of unreconstructed Cold Warriors in the west who are still making footling attempts to preserve Nato in aspic. According to some reports, the British government is so out of touch with the realities of 1991, that it is trying even now to persuade the German government to endorse the development of a new air-launched missile.

We have to keep a perspective on the hierarchy of possible dangers. The Soviet Union (or Russia) remains a nuclear and conventional superpower, so the west will continue to need last-resort nuclear deterrence. But right now the west is facing neither a political nor a military threat from the Soviet Union. Moreover, the Conventional Forces in Europe treaty will remove Soviet supremacy in the European theatre, and will thus eliminate that part of the western military case for tactical nuclear weapons. So it is difficult to argue that tactical nuclear weapons add anything meaningful to the deterrence provided by strategic systems.

An outlaw explosion of a tactical nuclear weapon in the Soviet Union may be unlikely; but if it occurred it would be like a second Chernobyl, so its prevention would be worth paying a price for. Yet in present circumstances the elimination of this category of weapons would involve no sacrifice of western security.

But the objective should not be limited to a classic east-west negotiation. The danger of political disintegration in the Soviet Union is one pressing motive for a negotiation, but the evidence thrown up after the Gulf war provides reasons for casting the net much wider.

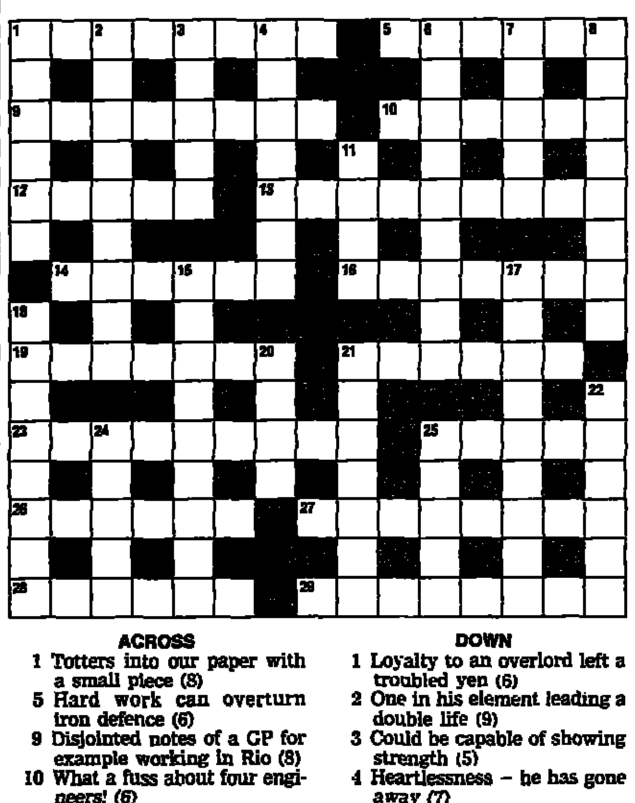
A number of countries, starting with Israel, Pakistan and India, have or are on the way to having nuclear weapons. Few of them could develop inter-continental ballistic missiles, but several could develop bombs, shells or short-range missiles. A regime which aimed at eliminating tactical nuclear weapons in the Soviet Union and the west, should also be designed to be extended to other countries.

This wider regime might be constructed as an adjunct to the Non-Proliferation Treaty, with a corresponding strengthening of verification procedures. The result would be a regime which would enhance the security of both the west and the Soviet Union.

JOTTER PAD

CROSSWORD

No.7,641 Set by ADAMANT



ACROSS

1 Totters into our paper with a small piece (8)
5 Hard work can overturn iron defence (6)
9 Disjointed notes of a GP for example working in Rio (8)
10 What a fuss about four engineers! (6)
12 Ask for another card for the dance (5)
13 Policy women tend to take out (9)
14 Have a stab at the casserole recipe (6)
16 Climbing frame in the nursery (7)
19 Record times (7)
21 Support the work of the specialist journalist (6)
23 Skilful footwork will enhance its effect (4,5)
25 Part time soldiers first taken back to the river mouth (5)
26 Coy about two hundred unknown at the bottom of the column (6)
27 Ideal restorative when you upset the apple cart? (5,3)
28 Idea that he has nothing to try out (6)
29 Depend on having money a little while ago (8)

DOWN

1 Loyalty to an overlord left a troubled yen (6)
2 One in his element leading a double life (9)
3 Could be capable of showing strength (5)
4 Heartlessness – he has gone away (7)
6, 25 down Trip for two cyclists? (4,5,5)
7 Wizard country, one to provide fresh air (5)
8 "Changing Easter" – it makes a formal study (8)
11 Prepare article on rising tide (4)
15 Old local tax adds a penny another year for its contributor (9)
17 Glare of publicity on fruit given short weight (9)
18 Without question one politician is within the law (8)
20 Do as the others – drink! (4)
21 Refined car oil adds energy to unit of heat (7)
22 My call? Pour it out without fuss (6)
24 Relative pronoun clearly plays a part (5)
25 Urge to hit of course (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 21.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 09.09.91 — Final Prices for Trading on 11.08.91

1/2 hour period ending	Pool purchase price £/MWh (provisional)	Pool purchase price £/MWh (final)	Pool selling price £/MWh (final)
0030	16.27	16.71	18.94
0100	16.19	16.71	19.00
0130	16.11	8.00	8.13
0200	16.11	15.63	15.63
0230	16.11	15.50	15.50
0300	16.10	15.50	15.50
0330	16.09	15.50	15.50
0400	16.08	15.45	15.45
0430	16.06	15.45	15.45
0500	16.05	15.45	15.45
0530	16.06	15.45	15.45
0600	16.06	15.45	15.45
0630	16.08	15.50	15.50
0700	16.10	15.50	15.50
0730	16.11	15.63	15.63
0800	16.19	15.64	15.84
0830	15.91	5.00	7.13
0900	15.91	5.00	7.13
0930	17.47	17.71	19.91
1000	17.90	17.71	19.91
1030	18.60	17.71	19.91
1100	18.60	17.71	19.90
1130	18.60	18.41	20.62
1200	22.18	20.13	22.39
1230	22.18	20.13	22.39
1300	22.18	20.13	22.40
1330	22.18	18.41	20.62
1400	22.18	18.16	20.37
1430	18.52	17.30	19.49
1500	18.32	17.30	19.49
1530	16.19	17.30	19.50
1600	16.19	17.30	19.50
1630	16.19	17.30	19.50
1700	16.19	15.78	15.78
1730	18.32	15.78	15.79
1800	18.32	15.78	15.78
1830	18.32	15.78	15.78
1900	18.32	15.78	15.78
1930	19.62	17.30	19.49
2000	19.90	17.30	19.49
2030	22.35	17.30	19.50
2100	22.35	19.94	22.20
2130	22.35	19.94	22.14
2200	30.47	19.84	22.16
2230	18.73	17.30	19.48
2300	18.32	17.30	19.48
2330	18.18	17.30	19.61
2400	17.47	17.25	19.45

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.50/MWh becomes 1.550p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 09.09.91 — Final Prices for Trading on 12.08.91

1/2 hour period ending	Pool purchase price £/MWh (provisional)	Pool purchase price £/MWh (final)	Pool selling price £/MWh (final)
0030	16.19	17.25	19.43
0100	16.11	15.63	15.63
0130	16.10	15.63	15.63
0200	16.11	15.63	15.63
0230	16.11	15.63	15.63
0300	16.11	15.63	15.63
0330	16.09	15.53	15.53
0400	16.09	15.53	15.53
0430	16.09	15.53	15.53
0500	16.09	15.50	15.50
0530	16.09	15.50	15.50
0600	16.19	15.55	15.55
0630	16.31	15.57	15.57
0700	13.90	15.84	15.84
0730	19.36	17.48	19.64
0800	20.24	18.07	20.23
0830	23.92	18.20	20.35
0900	28.38	22.69	24.98
0930	31.82	22.70	25.00
1000	32.56	22.71	24.98
1030	28.46	21.13	23.33
1100	28.52	21.13	23.33
1130	29.38	21.15	23.35
1200	30.18	21.16	23.37
1230	31.18	23.88	26.14
1300	29.12	23.86	26.11
1330	34.42	21.10	23.30
1400	27.27	20.82	23.02
1430	34.93	21.09	23.30
1500	34.96	21.09	23.29
1530	35.01	21.09	23.29
1600	162.41	21.09	23.30
1630	163.28	21.10	23.30
1700	163.89	21.10	23.30
1730	27.13	21.09	23.30
1800	23.59	21.09	23.30
1830	22.41	19.54	21.70
1900	23.03	18.20	20.33
1930	23.17	18.20	20.33
2000	23.38	16.24	18.24
2030	23.81	16.24	18.24
2100	26.29	20.87	23.08
2130	26.13	21.10	23.31
2200	23.35	20.87	23.08
2230	19.47	18.30	20.32
2300	18.32	17.98	20.07
2330	18.27	17.98	20.08
2400	17.96	17.80	19.72

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Co-operative Bank	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Coutts & Co	10.5	Midland Bank	10.5
AIB Bank	10.5	Cyprus Popular Bk	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Bank PLC	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Duncan Lawrie	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	11.5
Banco Bilbao Vizcaya	10.5	Exeter Bank Limited	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	Financial & Gen. Bank	11	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	First National Bank Plc.	14	Royal Bk of Scotland	10.5
Bank of India	11	● Robert Fleming & Co	10.5	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Robert Fraser & Ptnrs.	11	Standard Chartered	10.5
Banque Belge Ltd	11	Girobank	10.5	TSB	10.5
Barclays Bank	10.5	● Guinness Mahon	10.5	Unibank plc	10.5
Benchmark Bank	11	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	Heritable & Gen Inv Bnk.	10.5	Western Trust	10.5
CL Bank Nederland	10.5	● Hill Samuel	10.5	Westpac Bank Corp.	10.5
Citibank NA	11	C. Hoare & Co.	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Comm.Bk.of London Plc	10.5	Lloyds Bank	10.5		
		Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

هكذا من الأصل

REINSURANCE

As reinsurance companies reel from the unprecedented series of accidents and natural disasters which took place in the late 1980s, **Richard Lapper** finds that intense competition in the US and Europe and a crowded market are adding further uncertainty to the picture

Market future unpredictable

AS THE world's reinsurers *prepare to meet for their* annual get together in Monte Carlo this week, their market appears perhaps less predictable than ever. A combination of overcapacity and intense competition in Europe and the US and an unprecedented series of catastrophe losses has produced a complex and uneven picture.

● In the proportional reinsurance market (where the reinsurer shares a fixed percentage of the premium and the risk with the reinsured) rates are low, reflecting the state of direct insurance markets in which overcapacity is still dampening rates.

● In the specialised marine and aviation reinsurance markets, which have been in the doldrums for much of the 1980s, rates are starting to rise.

● In the market for individual risks (the so-called facultative market which provides reinsurance for *large industrial* risks such as chemical plants) rates are still competitive, reflecting conditions in the direct market for commercial and industrial risks in both Europe and the US. Efforts by Europe's professional reinsurers to force through rate increases on facultative business appear to have had, so far at least, little *impact*.

● By contrast the London catastrophe market (which reinsurers refer to as the non-proportional excess of loss market) has suffered a dramatic shrinkage of capacity. Rates have escalated dramatically.

This has been particularly marked in the so-called retrocession market where catastrophe reinsurers buy their own reinsurance cover. The market is supported by Lloyd's of London as well as many of the world's biggest reinsurance companies and has borne the brunt of the extraordinary sequence of weather and industrial losses at the end of the 1980s.

The gap between conditions on the catastrophe market on the one hand and the proportional market on the other is "probably bigger than it has ever been", says Mr Ken *Carter, chief executive of brokers*, Lloyd Thompson.

The storms of October 1987, were followed by the Piper Alpha oil rig explosion which took place in July 1988, and in the space of three months in the autumn of 1989 came Hurricane Hugo, the Phillips Pasadena refinery explosion and the San Francisco earthquake.

In London, Lloyd's syndicates and companies were already beginning to withdraw from the catastrophe reinsurance market when it was rocked *by a series of storms in* early 1990.

"The catastrophe market cannot cope with that kind of loss frequency," says Mr Ron Iles, chief executive of Alexander Howden Reinsurance Brokers. Rates hardened – to all-time highs – throughout 1990, and with capacity scarce during the last renewal season many *reinsurers were unable* to complete their own programmes of retrocession protection.

This year – with the extent of catastrophe losses becoming clearer – the retrocession market has shrunk further.

The crisis at Lloyd's which announced its first losses for 20 years in June has contributed to the capacity crunch.

Some of the syndicates worst hit – such as the Feltrim agencies – were heavily exposed to catastrophe reinsurance.

Although the business was written in 1988, many of the loss-making syndicates are only now closing their doors. Members' agents, who handle the affairs of Lloyd's Names – the individuals whose wealth backs underwriting at the market – are steering Names away from syndicates that are heavily exposed to catastrophe reinsurance, reducing Lloyd's capacity in the sector.

Reinsurers unable to obtain adequate retrocession protections, passed on the steep increases in their own rates last year, especially to UK insurers who had been exposed to the storms of January and February 1990.

In setting rates for UK insurers, reinsurers now assume that the UK is prone to natural catastrophe loss. Rates are now only slightly lower than those charged to companies operating in the Caribbean or other areas of the world more usu*ally associated with natural* disaster.

This year policy conditions could be tightened, although with rates already assuming that a weather catastrophe in the UK will occur one every four years there is little scope for further rate increases. In the meantime reinsurance brokers, who act on behalf of clients seeking to buy reinsurance cover, are leading efforts to find alternatives to traditional catastrophe reinsurance policies.

According to Mr Ron Iles, the chief executive of Alexander Howden, "product development" in this area is likely to be an important feature of the London market in 1992.

Brokers are promoting three alternatives in particular:

● Financial reinsurance deals are hybrid transactions halfway between banking and insurance. Generally deals are structured in order to generate a fund which will eventually be equal to the sum to be reinsured finite risk reinsurance).

Premiums paid into the fund are calculated taking into account the likely investment income needed to generate the finite sum as well as a profit for the reinsurer.

If no claim is made on the policy some of the premium and sometimes a percentage of the profit is returned to the ceding insurer (the one who is buying the reinsurance). Mr Jim Payne, chairman of EW Payne, reinsurance subsidiary of Sedgwick group, says financial reinsurance allows a ceding insurer to buy the protection of a reinsurer's balance sheet.

● In franchise reinsurance the reinsurer agrees to provide reinsurance cover in the same way as in standard catastrophe reinsurance protections. However a claim is triggered only if a catastrophic loss occurs (either for the cedant's whole book of business or from a specific catastrophe event – such as a hurricane or explosion).

This loss would be much greater than the level of cover *offered. According to* a broker at Willis Faber, the reinsurance subsidiary of Willis Corroon, a franchise reinsurance policy "allows the reinsurers to move themselves further away from a loss."

● In a further development proportional reinsurance (in which cedant and reinsurer share premiums and risk) policies *are being tailored* to protect against catastrophe losses. Some Lloyd's syndicates which have been heavily dependent on retrocessional business are diversifying their exposures by writing some proportional reinsurance policies.

Although London brokers are optimistic about the potential for such financial engineering, others are more cautious: "I'm confident excess of loss capacity will re-emerge as the main means of providing catastrophe coverage – but it will be a different market with underwriters *taking bigger net* lines, more professional underwriting and risk assessment," says the Willis Faber broker.

Such a development is inevitably likely to favour those professional reinsurers boasting a strong capital base and strong technical expertise.

It is difficult to avoid the conclusion that the big European reinsurers – backed as they are by investors interested in long-term capital growth and sympathetic tax authorities – are welcoming this prospect.

"Lloyd's has a problem," says Mr Jurgen Zech, chief executive of Cologne Re, in which France's Victoire has a majority stake. "The syndicates are very small. I wonder really how they will be able to provide expertise and knowledge," he adds.

"Bit by bit it is clear that there are serious ramifications for those reinsurers who haven't the size to take net retentions," says Mr Nigel Harley, chief executive of Sorema, the reinsurance subsidiary of the French mutual Groupama, which began underwriting in London this year. "We see this as definitely creating opportunity," adds Mr Harley.

IN THIS SURVEY

Editorial production:
Sarah Murray
Illustration:
Robin MacFarlan

Market now focusing on catastrophe insurance

Shift in demand

FOR some years, insurers and commentators have been cautiously predicting, more perhaps in hope than expectation, that a hardening in direct insurance rates was about to take place.

The implosion of retrocession capacity under the impact of three successive years of large catastrophe losses makes it much more likely that enough pressure has finally been exerted for it to extend via primary reinsurers to the direct writers.

A firming trend is already being reported for marine business, is anticipated in aviation and has struck those such as householders and drivers in the UK with a vengeance.

A question mark remains, however, over large scale industrial fire and other large commercial covers. The operations of the corporate client continue to become more international, for medium as well as large enterprises, and the competition for global programmes is severe.

It remains to be seen if reinsurers on both sides of the Atlantic are equally keen to force through an increase in rates. In Europe, industrial concentration in preparation for the Single European Market continues, and competition shows little sign of abating.

If the industry generates too sharp a turn in the underwriting cycle – if the phenomenon still exists – it may do so at its peril. Profound dissatisfaction with extreme short term fluctuations in the availability or price of a range of covers in the 1980s provided the impetus for the establishment not only of the so-called private insurers, Ace, CODA and XL, covering product and directors' and officers' liability, but also the rapid growth of captive insurers covering property risks.

As these have become more sophisticated, and capital has accumulated within them, their ability to move beyond simple covers and absorb less predictable risks and higher exposures has increased.

One effect has been to withdraw a large tranche of premium from the direct insurance market, 50 per cent or more in some countries.

Where risk managers for large corporations still require the services of traditional companies, it is for increasingly sophisticated programmes involving the heavy provision of back-up services, unbundled or not, which only large insurers can provide. Where they do not require such services, they are making equally sophisticated demands of the reinsurers of their captives.

The concentration of insurance capacity, particularly in Europe, has been partly in response to this reduction in premium for straightforward commercial line. Larger direct insurance units are not only capable of handling sophisticated risks; they are also able to retain a greater proportion of the risks written.

The risks retained tend to be the most straightforward. As a result, reinsurers are shown an ever-decreasing volume of proportional treaty business and face an ever-increasing demand for catastrophe and aggregate loss covers.

The alteration of the structure of reinsurers' portfolios significantly raises their risk exposure. It is by no means clear that an increase in premium is by itself sufficient to compensate shareholders or other providers of capital, particularly at a time when reinsurers' requirements for capital are becoming greater in response to the unusually high level of catastrophe losses.

Nor is capital the only element in critical mass: equally important is the ability to accumulate reserves, in which national taxation policy plays a central role, as Lloyd's and the Association of British Insurers is reminding the UK government with increasing frequency. The root causes of the disequilibrium in reinsurance portfolios show no sign of abating.

Multinationals are increasingly using their experience of risk management to deal with potentially huge losses resulting from incidents such as product tamper or computer malfunction.

As industrial production moves into larger units, insured values have multiplied, particularly in the petrochemical industry. In addition, the mutual interdependance of such units throughout the world has led to an enormous increase in the potential for business interruption losses.

An explosion or fire at a large petrochemical plant can cost more than a small but significant natural catastrophe. However, premiums for business interruption following fire have yet to reflect the fact.

So far, Germany has largely been immune from the trend towards self-insurance, reflecting the low premiums available. The single European market will draw the German market towards the global norm.

When the inevitable occurs, the effect will not be any more shattering than it has been in North America or Scandinavia, but it is likely to cause a profound change of attitude by German insurers, and the withdrawal of a large volume of premium, over time, from the traditional market. A substantial change in relationships between German insurers and their reinsurers will follow.

Meanwhile premiums will be kept as low as the German market believes it can bear (or its reinsurers will allow) as it prepares for the novel situation of fighting for its own market share.

If the contraction of the retrocession market is passed back to the ultimate insured too sharply, and solely in terms of price or restriction of cover, a further turn of the screw may be the unintended result. Industrial insurance buyers have learned much in the past decade. Large multinational corporations are better capitalised than most direct insurers, and their potential for risk retention is by no means exhausted.

If the direct insurance market cannot provide the stability which many risk managers require, they may begin to look for direct relationships with reinsurers instead. There is reason to suspect that it may be easier for reinsurers to persuade industrial conglomerates to accept a greater retention of complex and potentially large exposures, and find more readiness to adopt the mechanisms necessary, than to persuade traditional insurance companies to do the same.

Trevor Petch

● *The writer is editor of the Financial Times newsletter World Insurance Report.*

In spite of increased rates, brokers are finding the going much tougher this year

Capacity shortage hurts business

INCREASED reinsurance rates helped the world's biggest reinsurance brokers perform strongly last year. This year, although rates have risen further in some sectors of the market, there has also been a reduction in reinsurance capacity and brokers are finding the going harder.

"There is always a balance between price rises and the availability of capital," says Mr Jim Payne, chairman of EW Payne, the reinsurance subsidiary of Sedgwick Group. "At the moment the shortage of capacity is the key factor. In some sectors business cannot be written at any price."

Last year big brokers and medium sized independents all increased their revenue. According to figures published by *Business Insurance*, the specialist weekly trade journal, the world's three biggest reinsurance brokers all saw sizeable increases in revenues last year.

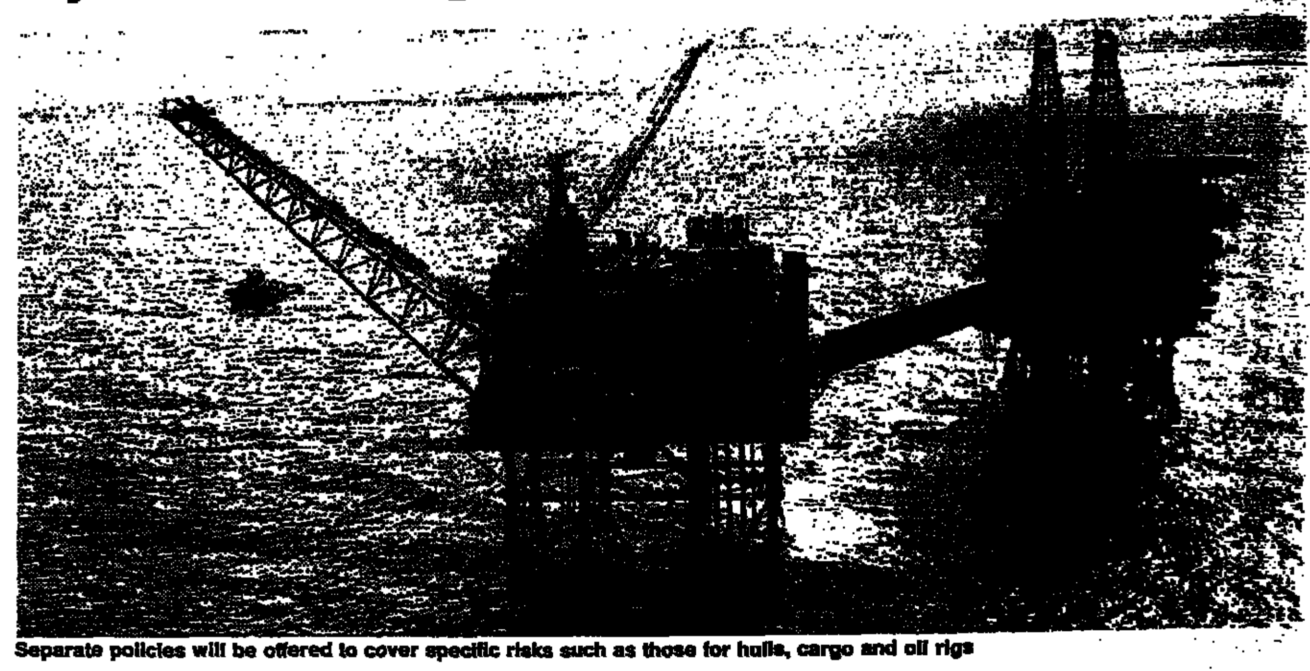
Guy Carpenter, which is owned by Marsh McLennan, and includes the London-based broker, CT Bowring, saw a 10 per cent rise to about $250m. EW Payne says that it has increased brokerage revenues by 25 per cent in some key sectors.

Alexander Howden, part of the Alexander & Alexander group, saw its revenues rise to about $139m (from $107m in 1989). The company attributes the increase to rate increases in the catastrophe market, but also says it won considerable

'Buyers are being much more cautious about which brokers they use'

amounts of new business and increased market share.

Smaller reinsurance brokers did even more impressively. In the US, Rollins Burdick Hunter, part of the highly aggressive Aon Corporation, nearly doubled its reinsurance income to about $50m. Jardine, Minet, CE Heath, Hogg and Bain Clarkson also saw rises of over 50 per cent. Lloyd Thompson and Bradstock, more specialist London market brokerages, also reported impressive gains.



Separate policies will be offered to cover specific risks such as those for hulls, cargo and oil rigs

Increases in rates in the catastrophe, marine and aviation markets were party responsible for the strong performance. But many of the bigger operators also report an increase in market share, often at the expense of smaller brokers. "We have benefitted from concern about the security of some of the smaller brokers. Buyers are being much more cautious about which brokers they use," said the spokesman for one large company.

This year there has been further hardening in the catastrophe, marine and aviation reinsurance markets. But rate rises have been accompanied by a shrinkage in capacity. The reduction has been especially dramatic in the non–marine retrocession market in London, where a number of companies, including Yasuda of Japan and Cigna of the US and many more Lloyd's syndicates, have ceased to write new business.

In the absence of traditional excess of loss protections, brokers are being forced to work hard to find alternative forms of catastrophe protection for their clients. Various new products are now being offered. A number of continental companies are writing franchise covers. These are reinsurance contracts which come into effect once losses assume catastrophe dimensions.

Brokers also report increased interest in financial reinsurance – a contract more akin to a banking than a reinsurance transaction which is is more flexible than a traditional reinsurance arrangement.

The insurance buyer and the insurer agree to build up a fund, which is managed by the reinsurer on behalf of the reinsured. The two parties agree in advance what profit the reinsurer should receive and, in some cases, if there is no claim, the reinsured is reimbursed all premiums paid.

Reinsurance capacity is still relatively abundant and pricing relatively soft

Mr Payne says financial reinsurance is now "a main line trade for us – with covers often complimenting with traditional products."

Even in the London marine reinsurance market, which has been slower to react to the catastrophe losses of the 1987-1990 period and where, until recently, capacity has been more abundant, brokers are struggling to develop new products in order to meet shortfalls in capacity in the traditional catastrophe market.

Innovation is a feature of the market. Mr Jonathan Marland, director at Lloyd Thompson, argues that more disciplined underwriting in which reinsurers and retroinsurers (reinsurers writing retrocession cover) retain greater quantities of risk on their own books and monitor their aggregate exposures more accurately is necessary.

The marine retrocession market is unlikely to be prepared to provide so-called "whole account" covers (which protect all elements of a marine underwriter's exposure) but will offer separate policies to cover specific risks such as hull, cargo and oil rig risks.

Outside the catastrophe reinsurance and retrocession markets, reinsurance capacity is still relatively abundant and pricing relatively soft. In the proportional area (where reinsuring underwriters simply assume a fixed percentage of a direct insurer's risks for the same percentage of the premium less a reinsurance commission which compensates the direct underwriter for acquisition and management costs), rates follow direct insurance rates, which on the whole remain soft, especially in the US.

Facultative non-proportional covers, which provide reinsurance for a single risk such as a chemical plant, also remain soft especially in Europe, this reflects the continuing high levels of competition for the industrial risks business in general.

Those brokers with global networks which allow them to co-ordinate quickly between a reinsurance buyer in one part of the world and a market in another, or arrange sometimes highly complex reinsurance packages speedily, are the best placed to do well.

Other brokers are in the process of establishing their own global networks

The world's three biggest brokers (Marsh McLennan, Alexander & Alexander and Sedgwick) are all in the throes of centralising their global operations.

Other brokers such as Willis Faber, which merged with Corroon & Black last year, and Rollins Burdick Hunter, which is set to acquire Europe's largest independent broker, Hudig Langeveldt of Holland, are establishing their own global networks.

Richard Lapper

PROFILE: LLOYD THOMPSON

Flexibility key to success for thriving independent firm

LLOYD THOMPSON, the London market's most successful rapidly growing wholesale and reinsurance broker, is one insurance stock on which analysts appear to be agreed about their recommendation – buy.

Since its launch in 1981 the group has emerged as the most impressive of a bunch of successful independent brokers on the market, continuing to thrive irrespective of ups and downs in insurance and interest rates.

This year, its profits are expected to increase by over 30 per cent.

Profits have more than quadrupled since 1986, reaching £8.4m ($14.11m) in 1990 and are set to grow again by 30 per cent this year.

Revenues – including brokerage and investment income – have grown by 500 per cent in the seven years from 1983 to 1990.

And since the company went public in 1987 – the share was inauspiciously launched on Black Monday 1987 – it has outperformed the sector by over 60 per cent.

Mr Ken Carter, the group's tough chief executive, joined Lloyd Thompson in 1986 from Sedgwick, where he was once right hand man to the current Eagle Star boss, Mr Michael Butt.

Mr Carter, was well-placed at Sedgwick, where he had joined the main board – but was attracted by the more entrepreneurial environment of Lloyd Thompson.

"I was intrigued with the idea with running a small Lloyd's broker - as opposed to being a cog in a big wheel," says Mr Carter.

Lloyd Thompson's bigger competitors in London – the leading so-called international brokers – such as Marsh McLennan, Sedgwick, Alexander & Alexander, Johnson & Higgins, Willis & Corroon and Frank B Hall – offer a broad range of expertise to insurance buyers of every conceivable type.

Such "mega brokers" are large and complex organisations and are sometimes saddled with bureaucracies which can inhibit the entrepreneurial instincts of smaller broking teams.

Lloyd Thompson has no "decision making bureaucracy and no management levels," says Mr Carter, allowing it move quickly. "Our flexibility is an absolute key. At the end

Ken Carter: Lloyd Thompson has 'no skeletons in the cupboard'

of the day we have the ability to change direction," he claims. Despite recent diversification – which has included the opening of marine reinsurance, political risk and non-marine divisions – he says it has remained focused on London market business.

Mr Carter says that the company has kept faith with the vision of its founders, John Lloyd and Peter Lloyd, which was to build an independent "classic Lloyd's broking firm".

Lloyd Thompson has no 'decision making bureaucracy and no management levels,' says Mr Carter, allowing it move quickly. 'At the end of the day we have the ability to change direction,' he claims

Messrs Lloyd, who are not related, were both with Alexander Howden in the late 1970s. They felt "there was a demand for a firm that would concentrate all of its efforts looking after the client and not be concerned with rigours and challenges of a bigger bureaucracy," explains Mr Carter.

As marine brokers, both men witnessed the steady growth in the London market for the insurance of offshore oil rigs, following the expansion of oil exploration in the North Sea, the Gulf of Mexico and other areas during the 1960s and 1970s.

Initially in London the big brokers dominated the business, structuring a facility known as the Master Drilling Rig Contract in which dozens of Lloyd's underwriters and London market companies participated.

With demand steadily increasing premium rates were relatively high. "It was all very cosy," says Mr Carter who described the arrangement as a cartel.

High profits from this business succeeded in attracting underwriters prepared to undercut MDRC rates. Lloyd Thompson was one of the pioneers in this market, the early results from which provided a platform for early business growth.

A bank loan which had been borrowed in order to fund the business was repaid within a year and the company managed to achieve a positive cash flow in a relatively short time.

Even so he admits that it is a recipe that might be difficult to repeat in present market conditions. Lloyd Thompson "was very much a phenomenon of a market that was beginning to expand".

Each phase of its expansion has been accomplished by attracting teams of brokers from rivals. The secret here is simple. Lloyd Thompson pays its staff well in excess of the market average in what is a high paying industry and provides them with extremely attractive equity participation packages.

Back in 1986 when Mr Carter joined the company he earned £235,000 a year in basic salary and bonuses, an amount that has since increased to over £300,000. Well over 50 per cent of the group's 320 staff own chunks of Lloyd Thompson equity. Bonuses average 30 per cent of relatively high basics wage, which leaves the many of the group's brokers earning £100,000 a year plus.

In return, Mr Carter can and does demand high output from his brokers, who, he estimates, work on average 30 per cent longer than those employed by competitors.

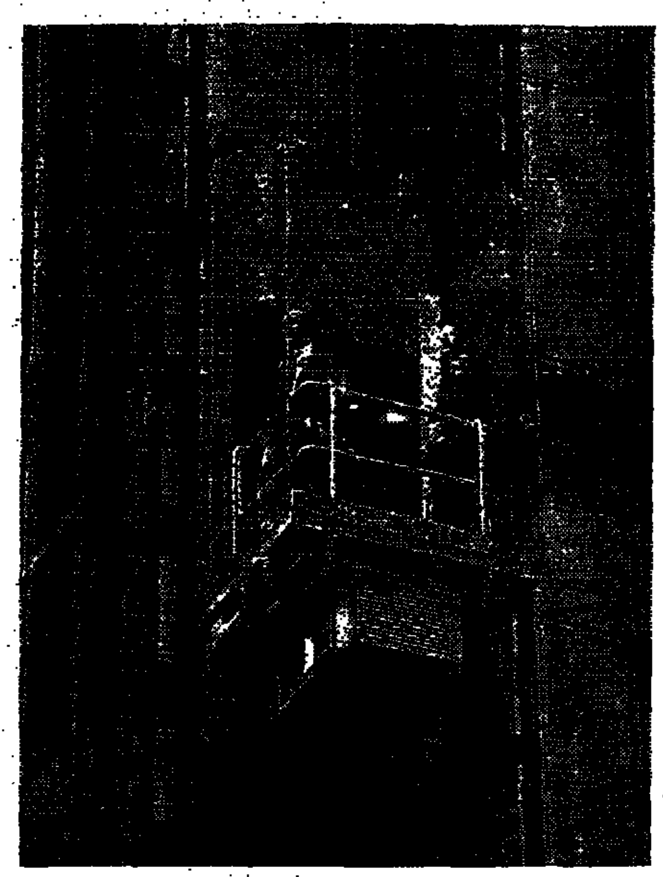
Mr Carter insists that control of expenses – one of the planks of the group's successful business strategy – is as tight as ever. Like other newer brokers it does not have the expense of managing claims stemming from business written many years ago.

In a market whose overall costs have been inflated by the impact of long-tail liability claims – which arise sometimes many years after the original business was written – in Mr Carter's words, Lloyd Thompson has "no skeletons in the cupboard".

And although the group moved into well-equipped offices at Beaufort House in 1990, it still eschews some of the city's more expensive habits.

Mr Jonathan Marland, head of the group's reinsurance division, who heads the reinsurance division and has been with the company since 1982, says: "You go to places like Queens and Wimbledon and you see all these hospitality tents – that sort of thing is anathema to us here."

Richard Lapper



Lloyd's: recent disasters have hit all sectors of the market

A series of losses and foreign competition have hit the market

London profits feel the pinch

THESE are grim times for the UK's reinsurance industry which has seen profits squeezed by catastrophe losses and foreign competition. Although London can expect to remain at the centre of the international reinsurance market, the UK's own reinsurance industry is contracting.

The second biggest UK's reinsurers, Victory Re, has already been sold to a foreign buyer. The owners of the first and third biggest reinsurance companies – the Prudential and Royal Insurance – have no long-term commitment to the sector. And syndicate managers at the Lloyd's market are reducing involvement in catastrophe reinsurance business.

All sectors of the market have been hit by the number and frequency of natural disasters, fires and explosions that shook the insurance industry in the late 1980s.

In the company market in the UK the disastrous sequence of catastrophes has exposed the financial weaknesses of the country's biggest specialist reinsurers and precipitated what is likely to become a series of disposals.

Victory Re's vulnerability to large losses was one of the reasons why Legal & General sold the specialist reinsurer to the Dutch group, Netherland Reinsurance Group last July. Victory was hard hit by the storms of January and February 1990. In the 11 years between 1979 and 1989 Victory Re made underwriting losses of £20.5m against premium income of £561.8m.

Mercantile & General Re, has also been dented which is one of the reasons why its owners, Prudential, is looking for a buyer. Its general reinsurance operations recorded underwriting losses of £46.4m in 1989 (on premium income of £261.3m) and £110m in 1990 (on premium income of £304.3m. Overall between 1979 and 1990 underwriting losses totalled £300m on premium income of £2,612m.

M & G was badly affected by its exposure to the Piper Alpha oil rig explosion in July 1988.

At Lloyd's the scale of recent losses has badly affected syndicates specialising in the catastrophe reinsurance market and exposed the shortcomings of the retrocession market, where catastrophe reinsurers buy their own protections.

Many of the Lloyd's syndicates worst hit in the past three years have been those heavily exposed to this class of business, although the the full scale of their difficulties will only be apparent after Lloyd's reports its results for the 1989 and 1990 years (in June 1992 and 1993).

When Lloyd's reported an overall pre-tax loss of £510m for 1988 earlier this year – incidentally its first loss for over 20 years) the losses of a few specialist catastrophe syndicates were a dominant feature.

Syndicates recording heavy catastrophe-related losses include:

- Feltrim 540 which reported an underwriting loss of £48.5m on gross premium income of £33.4m in 1988.
- Rose Thomson Young 255 – which recorded losses of £63.97m on premiums of £29.19m.
- Gooda & Partners 298 which reported underwriting losses of £70.33m on premium income of £44.47m.
- Cuthbert Heath 1084 – underwriting losses of £4.5m on premium income of £2.07m.

The energetic reaction of Names to the scale of losses at Feltrim, precipitated the closure of the agency and the announcement by Lloyd's of an independent enquiry into the circumstances of the loss. Similar inquiries have also been launched into the Gooda, Rose Thomson Young and Cuthbert Heath results.

The losses have spelled the death of the retrocession spiral – the arrangements whereby reinsurers reinsure their risks with each other creating a chain of contracts that dilutes the impact of catastrophe losses across the market through time.

Capacity on the retrocession market has virtually disappeared, especially in the non-marine market and without retrocession cover many Lloyd's syndicates are just too small to insure catastrophe risks. The practice whereby syndicates simply passed on exposures to other reinsurers without retaining any risk for their own account – essentially a form of arbitrage – will eventually cease.

A shake-out among syndicates specialising in reinsurance and retrocession business is now well underway with some syndicates being merged and others closed. Many Names will avoid syndicates writing catastrophe business.

As many as 100 (many of them active in this sector of the market) of the 354 syndicates at Lloyd's in 1991 are likely to disappear by the beginning of 1992, with Lloyd's premium capacity – the amount of business the market is permitted to underwrite – shrinking by 10 per cent.

It is now widely accepted that many of the syndicates specialising in catastrophe reinsurance at Lloyd's were too small; lacking both the resources and expertise to properly evaluate catastrophe risks and the financial strength to offer adequate levels of protection on their account.

In a different way size has also been a problem in the company market, where specialist reinsurers have been dwarfed by their continental competitors. With their accent on short term profits and growing dividends, Britain's capital markets are an unfavourable environment for reinsurance, a highly volatile business which requires long-term and large scale commitments of capital.

European reinsurers enjoy much more favourable tax treatment than their UK competitors. The giant German and Swiss companies such as Munich Re and Swiss Re are allowed to build a special class of catastrophe reserves which can be offset against tax.

In general tax authorities in mainland Europe are more sympathetic to the reinsurance industry than in the UK. Mr Joe Palmer, L&G's chief executive at the time of the Victory sale, said last year: "We concluded that the Victory group needed to be considerably larger if it were to compete over the longer term with the major international reinsurers." Without more capital "Victory was condemned to a steady decline", said Mr Palmer.

Prudential views the operation as marginal to its core financial services and life insurance business and is said to be looking for a buyer.

Royal Insurance, which owns the third biggest reinsurer, Royal Re, is not prepared to pump in the necessary capital that could transform the prospects of its Royal Re subsidiary.

Earlier this year Royal announced the sale of Royal Re to General Re of the US, although this deal was subsequently scuttled when the two sides argued over price.

Richard Lapper

The devastating wave of claims made in recent years has shown up the flaws in the LMX system

Retrocession dogged by uncertainties

INCREASINGLY vocal complaints by some names at Lloyd's about the losses suffered on the 1988 underwriting year have focused attention on the London Market Excess – the London market which specialises in providing reinsurance cover to reinsurers.

In the 1980s, an increasing number of Lloyd's syndicates and London-based specialist companies concentrated on providing cover against high levels of loss for reinsurers.

A typical contract would then be reinsured with other participants, who repeated the process, so that a single risk might pass through the same reinsurer a number of times, creating the "LMX spiral".

The market grew spectacularly in the 1980s as reinsurers offshore and newly-independent nations became unwilling to assume the ultimate exposure to severe losses. The spiral replaced the geographic spreading of risk with a distribution over time. The often stately progress of claims through the LMX market gave participants time to recover the cash needed to pay their share.

The introduction of electronic settlement removed this cushion, so that when a string of catastrophes hit the market in the late 1980s, the impact was almost immediate. Claims from Hurricane Alicia in 1983 and the Piper Alpha drilling rig disaster in 1988 were said to have reached the top of the spiral simultaneously.

Coincidentally, it was in 1988 that an Insurance Institute of London Advanced Study Group found a fundamental flaw in the LMX market: that it was "infinitely cumulative". For a high value risk, most if not all underwriters were likely to be involved, so that it became "almost impossible to analyse the book of business written by an underwriter".

The Piper Alpha disaster exposed the deficiencies in assessment

Especially within the Lloyd's marine market, spare capacity and a period of high profitability lured many underwriters into participation.

The returns were a reflection of the fact for some years there were no large – that is, market-wide – catastrophes.

As the IIL Study Group noted, LMX rating methods, in the absence of claims experience, were only able to be based on an assessment made of the premium required for the limit of liability extended.

The Piper Alpha disaster rudely exposed the deficiencies in assessment – and, in some cases, the inadequacy of estimates of aggregate exposure – of some participants in the market. Successful LMX underwriting required a reinsurance programme which matched maximum exposure. Some underwriters discovered, to their names' or shareholders' chagrin, that theirs did not.

The readiness of the LMX market to provide catastrophe cover shrivelled overnight in the wake of an unprecedented series of losses in 1988-90, including hurricanes, winter storms in Europe and large industrial fires.

A tactical withdrawal was made by the giant Merrett underwriting agency at Lloyd's in January 1990, with senior underwriter Mr Dennis Purkiss commenting that pure LMX was "a false market".

According to Mr John Emney, chief underwriter of Charter Reinsurance Co, and one of the leading underwriters in the area, "the LMX market as we know it is dead, and it isn't going to come back to life".

Names at Lloyd's are now clamouring to be removed from syndicates which write the secondary and tertiary layers of reinsurance with the same vehemence with which they demanded to be placed on them three or four years ago. Few underwriters in the company market can now justify to their shareholders the continuance of assuming the previous level of risk, Mr Emney says.

One anxiety is that the frequency of natural catastrophes may be increasing, making them uninsurable. In the worst case – where they are an annual event – the minimum premium required will tend to approach the cost of the catastrophe itself.

At the same time, insured values including business interruption are increasing, and a large industrial fire can now be as expensive as a minor earthquake in San Francisco.

A number of stop-gaps are being offered to fill the void, but in Mr Emney's view these offer at best a palliative rather than a solution. So-called financial or finite-risk reinsurance (which returns a flow of payments and a share of any profit eventually made) makes the reinsured critically dependent upon the financial expertise as well as the capital strength of those offering cover.

Furthermore, the biggest stumbling block, according to Mr Emney, is that there is no real transfer of risk from reinsured to reinsurer. Franchise covers, which are activated at a level of claims affecting the market as a whole are another alternative.

These are bedevilled by uncertainties over determination of the trigger point. In the US, where insurers notify claims routinely to the Property Claims Service, it may be possible to determine the total value of a loss, but for claims elsewhere the best that can be done is to use estimates provided as a service to the market by Swiss Re, Mr Emney says.

'Simply raising premiums will not succeed in restoring capacity'

A further development is the attempt by large brokers to stimulate Lloyd's syndicates to write an increased volume of proportional covers, where the reinsurer shares automatically a percentage of the losses suffered by the insured.

Such measures, Mr Emney argues, are not only not a solution, but actively militate against the adoption of the structural changes necessary for high-level catastrophe cover to become an acceptable risk for names or shareholders. Nor does he believe that simply raising premiums will succeed in restoring capacity.

An essential step, in his opinion, is a redefinition of catastrophe away from the losses caused by an event in favour of their impact on the net worth of the reinsured. Reinsurers would not then be asked to expose their own balance sheets when no equivalent financial risk is run by the reinsured.

Such a system implies not only a large increase in retention by primary reinsurers and direct insurers, but also by original insureds.

For householders' buildings insurance, for example, the traditional cash deductible might be replaced by a percentage of property value, and reinsurance offered on the basis of an assumed level. The insurer would be free to vary the level actually charged to the householder as an element of competition.

Such a system offers the possibility, Mr Emney argues, of a reduction rather than continued increase in the basic premiums charged for primary catastrophe coverage.

Trevor Petch

FRANCE

Mergers concentrate the market capacity

IN France perhaps more than anywhere else in Europe, there has in recent years been been a rapid concentration of insurance capacity through spectacular mergers.

One result has been a shrinking demand for traditional reinsurance covers where losses are shared proportionally in favour of protection on an excess of loss basis. The increased retention capacity has contributed to the weakening of the reinsurance market, which is increasingly shown only less attractive business which requires larger capital resources.

"The market is unable to function well without recourse to reinsurance techniques no matter how heavy the concentration of the direct insurers," says Mr Jacques Bourthoumieux, president of SAFR.

French reinsurance capacity is also coalescing, beginning with the merger of SCOR with UAP Re two years ago and the more recent regrouping of AGF Re and SAFR, which when finalised will replace Abeille Re as the second largest reinsurer in the country.

Observers are unanimous in considering that the trend has yet to run its course, but future associations are likely to involve European partners and, possibly, reinsurance brokers.

A new form of co-operation is being tested by Groupe Victoire's Abeille Re and Colonia, whereby the former will represent Cologne Re in Canada while the latter company will act for Abeille Re in Mexico, Columbia and Venezuela.

AXA Re's chairman Mr Christian Excoffier does not rule out a future merger either, provided it leads to an optimum size, at the right price, with a partner as a compliment.

"The future of AXA Re, as of other small reinsurers, is the obligation to grow in order to achieve the right dimension," he says. This is a strategic problem also emphasised by Mr Michel Laparra, his counterpart at Abeille Re.

Size is important because cedants will in the long run become increasingly hard to please, and will turn to large reinsurers as the best-equipped to accept novel and potentially expensive risks, according to Mr Gerard Boulier of Caisse Centrale de Reassurance (CCR).

Mr Bernard Raoul, the Paris general manager of Nordisk Re, Employers' Re's European operation, is more optimistic, believing that the recent emergence of new small life and personal lines companies, such as Credit Agricole's Predica and Pacifica, may maintain or even increase slightly the volume cf premium ceded.

If there is a place for small companies, it is in specialised areas. One such is Sorema, which is backed by the farming mutual Groupama, but even Sorema has set up a subsidiary in London and branches in Cologne and Singapore. Mergers are unlikely to reduce the cut-throat competition which is also weakening the industry, says its managing director Mr Christian Hure.

Patrick Peugeot: increase in direct premium rates is needed

Concern over the level of industrial risk rates is as universal as that over catastrophe losses.

Mr Bourthoumieux also blames an increased reliance by insurers on financial rather than underwriting operations, suggesting that premium growth has been bought at often excessive prices through external growth or generated internally by technically unjustified rates.

There is agreement among small and large reinsurers that a transformation in the market is required although their areas of concern are not necessarily the same

The concentration of manufacturing industry, and the parallel development of captives, has further imbalanced the relationship between industrialist, insurer and reinsurer, Mr Bourthoumieux believes.

Motor results, too, are poor, while potentially attractive cedants such as the mutuals without intermediaries, which underwrite the best 60 per cent of the motor and householders' risk market, have never had extensive recourse to the reinsurance market. Their cover is presented en bloc, and concentrates on exceptional risks.

But while industrial risks and motor are the worst sectors, as Mr Eric Vernhes, president of CORIFRANCE, points out, the persistence over the years of poor market conditions put most branches into the red for most companies this year.

SCOR president Mr Patrick Peugeot is by no means alone in urging an increase in direct premium rates and revision of underwriting practice, but advises that this be done in the most transparent possible way on a branch by branch basis to deflect possible criticism made by consumer organisations.

There is complete agreement among both large and small reinsurers that a transformation in the market is required, although their areas of concern are not necessarily the same.

Mr Peugeot believes that reinsurers must change their attitude to catastrophe cover, which should cease to be an additional service rendered and become an important, long-term commitment.

"The situation in the London market is quite a problem for all of us," he says. With the important markets having reached their limits, he adds,professional reinsurers should require higher rates, better application of loss prevention techniques, and a more precise study of exposures.

Given shrinking retrocession capacity, he also urges revised underwriting methods to reflect greater commitment and to distribute available capacity between different markets and cedants more efficiently.

Mr Peugeot also wants some hard thinking to be done on how best to meet the demand from direct insurers for cover against such financial imponderables as currency and equity market fluctuations, and tax changes which have an impact on overall results and solvency.

He also favours more regular dialogue on an ongoing basis between insurers and reinsurers to develop stronger understanding and avoid sudden developments which affect mutual confidence.

Mr Excoffier believes a return to a more reasonable level of overall capacity may be five years away, with reinsurers becoming more restrictive in their attitude in the interim due to the absence of retrocession capacity.

Mr Bourthoumieux thinks any improvement in rates within two years is unlikely but hopes that the more drastic reduction in retrocession capacity this year may, unlike last year, force a more thorough increase in rates and the prospect of a return to profitability.

A start to that process may be made at the Monte Carlo rendezvous.

No-one disputes the gravity of the present situation, which raises fundamental questions about the future development of the industry.

Not only do reinsurers wonder how much longer the heavy burden of losses suffered in recent years can be maintained, but concern for the future of the London market begs the question of how that much capacity can possibly be replaced.

Beata Levy

● *The writer is the Paris correspondent of the Financial Times newsletter World Insurance Report.*

Ilyushins: the pool for the reinsurance of hull risks of Soviet-built aircraft was wound up in April last year

Decentralisation poses an enormous challenge to the region's reinsurers

Eastern Europe must think again

THE insurance markets of the command economies of eastern and central Europe were once models of stability, organised, with local variations, on Soviet lines.

Each national market contained a monopoly insurer covering local currency risks, typically linked directly to the budget of the finance ministry.

Most of its business would concern compulsory insurances, mainly for various agricultural risks, motor third party liability (except in the USSR itself) and various other property and third-party classes, together with a smaller volume of voluntary business dominated by low-value life, pensions and accident policies and personal lines cover for motor damage and domestic property.

Commercial covers remained underdeveloped. In part this reflected the absence of commercial risk; in part recognition that cash compensation did not create the ability to reinstate the loss because of the rigidities of the system or simple shortages; and in part the notion that it was simply inefficient to use an insurer to transfer cash from one state enterprise to another.

Soviet-style planners never, in any case, paid much attention to financial mechanisms.

For the same kind of reasons, backed as they were by the resources of the ministry budget and accounting on a cash in-cash out basis, domestic insurers took out no reinsurance.

This simple model was inadequate for such international risks as marine and aviation, foreign trade or equipment bought with hard currency.

Such "foreign" business was the preserve of a second monopoly, usually incorporated as a share company owned by the state or state organisations, although in Romania and Hungary (until 1988) a department of the unitary monopoly was responsible for these operations, and in Czechoslovakia the Slovak state insurer surrendered responsibility for reinsurance to its Czech counterpart by "mutual agreement".

Underwriting methods were by and large those of other international insurers, but accounting and reserving much less so.

Substantial marine hull, liability and cargo business, aviation liability and risks such as construction and engineering were ceded to western markets.

Yugoslavia, not a Comecon member, in the late 1970s created a reinsurer in each republic and in the Serbian "autonomous province" of Vojvodipq, and through them reinsured western-style property and natural catastrophe portfolios.

In the reverse direction, the biggest direct business of the Comecon "foreign" insurers was trade-related cover and motor Green Card.

In one of the rare coincidences of ideology and commercial good sense, the companies spread their business in London between all the large brokers and often some small ones as well.

Of the continental reinsurers, by far the most important provider of capacity was and remains Munich Re.

The Soviet company Ingosstrakh was unsurprisingly the most active internationally, with subsidiary companies under the Black Sea & Baltic name in a number of European countries; its East German counterpart DARAG was, by contrast, almost invisible in international terms.

Warta of Poland has a number of representative offices abroad, a Romanian-owned underwriting agency operated in London until the mid-1980s and both Bulstrad of Bulgaria and the Serbian reinsurer Dunav Re all have joint venture broking companies located in London.

The Comecon foreign insurers also participated to a greater or lesser extent in active reinsurance. A combination of poorly judged underwriting and political pressure to secure hard currency income regardless of potential losses frequently made this an unpleasant experience. Asbestosis claims which arose in US naval shipyards at the height of the Cold War are being paid in part from some unlikely sources.

The most sophisticated active reinsurance operation was the European American Underwriters joint venture between American International Group and the foreign insurers of Hungary, Poland and Romania.

The largest segment of Comecon insurers international business related to intra-Comecon trade. The collapse of that organisation led to a drastic reduction in direct premium, in mutual reinsurance treaties, and in international co-operation between the "Insurers of Socialist Countries," who held their 29th and final annual meeting in April 1990.

The biennial meeting of reinsurance experts scheduled for October that year did not take place, and in the same month the pool for the reinsurance of hull risks of Soviet-built aircraft was wound up.

Other casualties were the Comecon Blue version of the motor Green Card, and a joint venture reinsurance company in Moscow which covered risks related to Comecon-funded investment projects.

The prospect of finding cover in hard currency for ageing fleets of Ilyushins is the least of the companies' new problems. With a substantial part of their traditional business lost and exports falling, they are further weakened by the potential or actual loss of their skilled staff to western companies.

Two former senior employees of Allami Biztosito in Budapest have been headhunted three times in less than two years.

In Hungary and Poland insurers with foreign capital are already providing competition for traditional business, while in Bulgaria the former soft-currency monopoly, DZI, is aggressively writing foreign currency risks.

At the same time, an enormous challenge is posed by the processes of de-linkage from the state budget, de-monopolisation and privatisation of domestic insurance now under way throughout the region, as well as the transition from a state-funded to an insurance-based welfare system.

Financial independence for the relics of the old system implies not just restructuring and cash injection, but also reinsurance, for which local capacity is lacking and foreign capacity is discouraged by non-convertible currencies.

The problem is most urgent in Poland and the USSR, where by design and accident respectively there has been rapid growth in nationally-owned, poorly capitalised insurers of at best unproven technical ability.

Should these companies fail in significant numbers, the long-term development of already atrophied insurance markets will be hindered as surely as by the use of dubious sales techniques such as pyramid-selling already reported throughout the region.

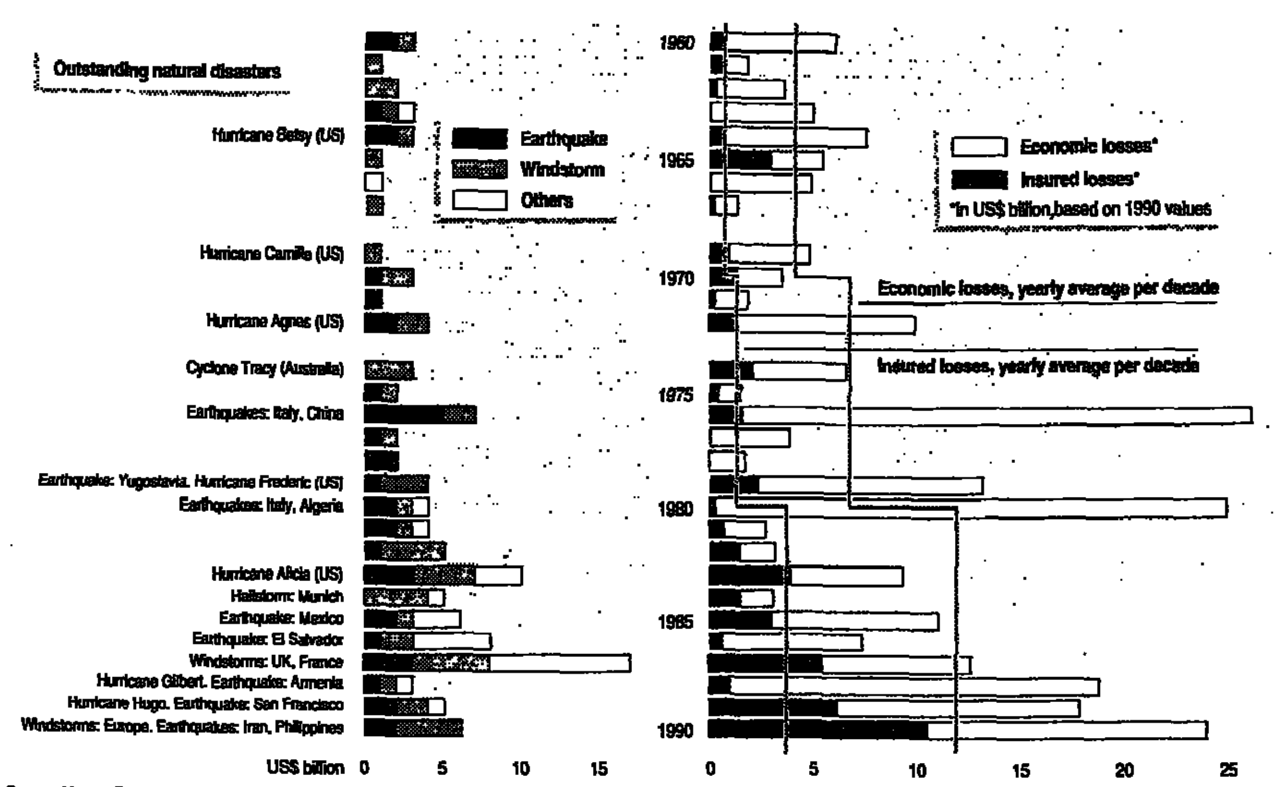
Although Polish supervisors have courageously suspended two companies on prudential grounds this year, their limited resources may in the end be swamped, while in the USSR the campaign to minimise state control may well go beyond the little-understood bounds of financial prudence.

If western reinsurers want an orderly development of the new insurance market economies, they may well have to assume the mantle themselves.

Trevor Petch

Amsterdam: cars crushed by the storms which wrought havoc across Europe in January, 1990

Large natural catastrophe losses



Source: Munich Re

The past few years have seen catastrophes becoming more frequent and increasingly expensive

Natural disasters push up loss burden

THE sad lesson to be learnt from recent natural catastrophies is not only that their cost in human and economic terms is going up, but that they seem to be happening more often.

The Bangladesh cyclone in April this year (killing nearly 140,000 people), hurricane Hugo in the Caribbean and the USA in October 1989, the west European storms which wrought havoc in October 1987 and January to March 1990 are just a few examples of the natural disasters the world has recently had to deal with.

Before 1987, events which involved an insured loss of US$1bn or more (at current prices) occurred only once every few years on average. Since 1987, however, there has been at least one $1bn event each year.

In a study of catastrophe losses over the period 1970-89 the insurer Swiss Re argues that "natural catastrophes in OECD countries in the '80s demonstrate a clearly rising frequency and loss burden."

Munich Re and Swiss Re studies of insured natural catastrophe damage show annual average loss rising slightly during the 1970s, from around $1.5bn per year in 1970 to around $2bn per year in 1980.

During the early '80s the annual loss reached an average of $5bn, peaking at $14bn to $15bn in 1990, a year dominated by the west European storms in January and February.

Munich Re in its 1991 analysis of large natural disasters over the last three decades says "loss burdens from natural disasters are increasing dramatically; from the 1960s to the 1980s economic losses have virtually tripled, while insured losses have quintupled".

Natural disasters in 1990 caused economic losses of $47bn of which about $15bn was insured, says Munich Re.

A further breakdown of the insured loss shows that $13.4bn (87 per cent) was due to windstorm, $800m due to flood, $300m due to earthquakes.

Swiss Re says that the series of catastrophe losses poses "an immense challenge to the insurance system".

It ways that "should the storm losses of 1989 and 1990 only be statistical mavericks, the gaps in reserves could be replenished, given an appropriate premium calculation".

But if both the size and frequency of these losses increase in the coming years then the insurance industry will face grave problems.

Storm Daria caused severe damage in the UK and the Netherlands on 25 and 26 January 1990 and led to an insured loss of $4.6bn, according to Swiss Re. That is around $100m more in real terms than the insured damage caused by Hurricane Hugo in October 1989, making it the largest catastrophic loss ever.

And yet Daria was only one of eight large storm events in western Europe between January and March 1990 which together caused insured losses totalling around $10bn.

Munich Re chairman, Dr Horst Jannott, says that the recent experience of natural disasters has "made it clear again and to an unparalleled extent that natural hazards – especially windstorm, earthquake and flood – with their accumulation potential lead to a recurrence of heavy and ever increasing burdens for direct insurers and their reinsurers".

On the basis of past disasters, it is now possible to predict the likely effects of such events on different parts of the world.

Dr Herbert Tiedemann, engineering consultant to Swiss Re has studied the 1984 Munich hailstorm. He estimates that damage could have been DM10bn ($5.70bn) if such a storm had occurred in Frankfurt.

In a large American city car damage alone could reach around DM25bn, he says, with the loss figure doubling to DM50bn for all property damage.

Swiss Re and Munich Re estimate that possible insured loss from large earthquakes in Tokyo and San Francisco could be between $50-100bn.

Dr Horst Jannott says that "direct insurers and reinsurers would therefore be well advised to give top priority to the correct underwriting of risks involving natural hazards in order to control the growing loss potential better," but adds that "in many insurance markets this is still not happening".

According to Dr Tiedemann "rating, underwriting and the protection of the exposure of insurers is very frequently based on incomplete and even defective understanding of the probability and magnitude of catastrophes".

However, in the light of the recent increase in the size of losses, European reinsurers have been taking a second look at the way risks are insured.

Dr Dlugolecki chief manager, operations at General Accident, Perth, argues that more reinsurers are now projecting potential future losses using scientific methods rather than simply using the past as a guide to the future.

He says that reinsurers are now "very keen on trying to get better information on their exposure especially to flood and windstorm perils".

One method is to use postcodes to evaluate more precisely the loss experience and loss potential of particular areas. However, he says that this involves a lot of work and "cannot just be introduced overnight".

Dr Dlugolecki says that in the past reinsurers' clients thought it was sufficient to have just one reinstatement. Now they are opting for multiple reinstatements and reinsurers are paying a great deal of attention to this critical feature of their policies.

Dr Dlugolecki argues that as economies become more advanced, there is a greater concentration of wealth in both industrial plant and domestic households. Countries are becoming more urbanised, industrial plant are becoming larger and holding more inventories (of things such as hydrocarbons and chemicals).

This concentration of values has two effects. Firstly, it increases the size of potential direct property loss and secondly, it prolongs the time needed to rebuild or repair the lost property, so increasing potential business interruption losses.

Simon Reynolds

Industrial risk rates are out of step with the new size of losses

The price of tragedy rises

AS industrial plant increase in size and complexity, so does the price of disaster, as recent explosions and fires have highlighted. But while the size of losses has been rising at an alarming speed, the worry for reinsurers is that industrial risk rates are simply not high enough.

Most vulnerable are the hydrocarbon and chemicals industries. According to a recent Munich Re publication* "losses and the loss potential in the chemical and petrochemical industries have reached a completely new order of magnitude."

A large industrial loss can now cause about the same insured loss as a small natural catastrophe.

An explosion at Phillips Petroleum's Pasadena, Texas petrochemicals plant in October 1989 killed 23 people and caused an insured loss of US$1.4bn; around half of which was business interruption.

A few days before the Phillips explosion, the 7.1 Richter earthquake epicentred at Loma Prieta 60 miles southeast of San Francisco cost 69 lives and caused an estimated insured loss of US$1.5bn.

Natural phenomena can actually be the cause of an industrial loss, rather than a fire or an explosion. Hurricane Hugo caused an insured loss of over US$270m to an oil refinery on St Croix, US Virgin Islands in September 1989, while the US winter freeze in December 1989 caused shutdowns and B/I losses totalling more than US$130m at three hydrocarbon plants in Texas and Louisiana.

Recent years have seen the cost of business interruption (B/I) growing faster than that of property damage. In the cases of the freeze losses, insured loss was almost entirely B/I – insured property loss totalled just US$1m.

The largest single fire loss in 1990 – in July at the ARCO petrochemical plant at Channelview, Texas - while not on the scale of the Pasadena or Piper Alpha explosions, also highlights the trend for larger B/I losses. In this case property loss amounted to US$20m while B/I losses reached 10 times that amount at US$200m.

Large industrial plant are becoming larger and increasing the concentration of equipment and inventory. This means that the property damage caused during, say, an unconfined vapour cloud explosion is likely to be bigger than in the past, causing more damage and such plants are likely to take longer to rebuild, leading to larger B/I claims.

Developments in the industrialisation process have altered the risk in the fires sector

"The industrialisation process, more complex and longer production stages, the increasing interdependence of production processes, the centralisation of production in large plants with a corresponding concentration of values – these developments have altered the risk situation in the fires sector." the Swiss Reinsurance Company (Swiss Re) says in its review of large losses

This contrasts with natural catastrophes. Here both the frequency and size of loss seem to be increasing, and yet in the case of large man-made industrial losses the Munich Re study finds "no evidence of any significant increase in the loss frequency in recent years; not the number of losses but their cost has increased."

More B/I is being purchased in the hydrocarbon processing industries than in the past, and there is more take up of supplier/customer extensions.

Mr Daniel F O'Donovan, managing director of insurance brokers Marsh & McLennan recognises that the cost of BI to the hydrocarbon and chemical industry is heavy. "The 1989 losses, along with an explosion in May 1988 at a refinery near Norco, Louisiana, have had enormous effects on downstream production and worldwide feedstock supplies," he said.

"Interdependency within companies and supplier or customer relationships have spread the business interruption losses well beyond the plant that sustained the loss," he added.

A paper studying the hydrocarbon processing industry by Mr Brian Instone of CIGNA Worldwide argues that "the average value of business interruption losses is consistently higher than the property damage average values and may well reflect the plant design, construction and operation philosophy practised by the industry over the last two decades."

While the cost of BI is rising, the industry is also coming to the realisation that recent industrial disasters are not simply freaks but regular occurrences.

Munich Re's study of large losses in the chemical and petrochemical industries between November 1987 and December 1989 finds that "nobody knows whether the Pasadena explosion disaster represents a peak in the series of large and very large losses that have hit the chemical and especially the petrochemical industry in the last few years or whether the next, possibly even larger loss, may be just around the corner."

The study finds that "analysis of the 35 losses reveals that in the majority of cases the events cannot be described as 'extraordinary or unforeseeable' – apart from the absolute loss amounts."

It adds that "losses of similar extent have to be expected in the future and, in view of the loss potential in property and B/I insurance, even larger losses cannot be ruled out."

What worrys reinsurers is that industrial risk rates are not sufficient to cover such future losses. Industry sources suggest that worldwide premium payments for property damage and B/I in the hydrocarbon and chemicals processing industry now amount to around US$1.2bn annually.

This represents a mere 80 per cent of the cost of a single loss – the explosion at Phillips Petroleum's Pasadena, Texas which cost US$1.4bn.

Given that large industrial losses will continue to occur, Munich Re argues that two fundamental requirements have to be met to provide insureds with the cover they need.

Firstly, policies must define clearly the scope of cover for direct insurers and reinsurers against the insured perils, whether these are named-perils or all-risks covers.

This should include:

- precise descriptions of which losses are covered, and proper calculation of replacement or indemnification values for both property and B/I losses
- realistic PML (probable maximum loss) values that fully consider past loss experience
- limits of indemnity in cases where the loss probability defies any reliable estimate
- precise lists of subcontractors and customers with a major loss potential.

Secondly, the correct cost of cover is needed with the introduction of premiums that are commensurate with the risk and the scope of that cover. The Munich Re study adds that "statistical documentation and expert knowledge of risks, which are prerequisites for calculating equitable premiums, are, in fact, available at the major insuring and reinsuring companies; and yet property and B/I insurance for chemical and petrochemical risks is largely underrated".

* *Major Losses in the Chemical and Petrochemical Industries, published in Schaden Spiegel, January 1991*

Simon Reynolds

UK life reassurers have not yet felt the full effects of recession

Business rides the storm

THE UK life assurance industry is in a recession. For the first time in decades, new business growth is down on the previous 12 months.

As yet, the big life reassurers in the UK have not fully experienced the effects of this decline. Their business, to date, is holding up well.

This, in itself, is not surprising. There is a time lag of several months between events and experience with the direct writing life companies and the reassurers. Indeed, in 1990 when new business fell dramatically for many life companies, business for the reassurers moved ahead.

As the personal pension market ceased to grow, many intermediaries switched to marketing "Keyman insurance" – high level protection for key executives in companies.

Keyman insurance requires far more reassurance facilities than personal pension business and the large reassurers have benefited from this switch in marketing emphasis.

However, the popularity of Keyman insurance proved to be short-lived. As the recession in the economy became deeper, companies cut back on insuring executives, however essentially such people were to the running of the business.

And reassurers in recent months have seen the requirements for this type of reassurance start to fall off. The market for straightforward reassurance business is becoming tight.

But reassurers have long since ceased playing a passive role in the UK life market and wait for their bread-and butter reassurance business to come to them from the direct writing companies.

The reassurers have for several years taken an active role

Reassurers have helped boost the operations of direct writing life companies

in boosting the operations of direct writing life companies. This role can be classified under three headings:

- Giving active help to new companies starting up.
- Giving active help to companies to develop and market new products.
- Providing investigative services to companies where experience has become adverse with certain types of products, whether in the marketing or the claims or in general profitability or lack of it. This service provided by reassurers is now proving vital for many traditional life companies trying to break into the critical illness market.

Over the past few years, certain unit-linked companies have followed the lead given by Abbey Life in marketing critical illness contracts (sometimes referred to as dread disease contracts). Under a critical illness policy, the cover is paid out if the life assurance contracts an severe illness, such as cancer, or becomes disabled. Otherwise the cover is paid on the death of the life assured.

The reassurers, particularly Mercantile & General, did much work developing these contracts, in particular assessing and costing the underlying risks and pricing and profit-testing the contracts.

The work involved actuaries going beyond their normal field of assessing the risk of death into assessing the morbidity rates for various serious illnesses for which cover was being given.

In this respect, the reassurers are now better placed to carry out this kind of product development than many direct life companies.

The reassurance companies are in the risk business. They have the actuaries and underwriters constantly involved in assessing a variety of risks. These companies in the UK are invariably part of large multinational reassurance companies, so the UK actuaries will have easy access to data in other countries and can call on the experience of their overseas colleagues with similar products.

In contrast, many direct writing companies, particularly unit-linked companies are concerned mainly with marketing and investment, rather than risk assessment. The actuarial technicians are more and more to be found in the reassurance companies.

The unit-linked companies have achieved considerable success in the critical illness market through their employment of direct sales teams.

But until recently, independent advisers had ignored this market for a variety of reasons and traditional life companies, with one or two exceptions such as General Accident Life, had kept out of this market.

Now, with other sources of business drying up, independent advisers are turning to marketing critical illness contracts and the traditional life companies are needing these contracts in a hurry.

As such they have turned to the reassurers, which in turn have been able to help the traditional companies bring their critical illness contracts on the market far quicker than if those direct companies had had to start from scratch.

Life companies wishing to know about the critical illness market need only acquire the in-depth research documents, such as those produced by Swiss Re to find out most, if not all, of what is required.

Now, the reassurers are having to back their assessment by accepting the reassurance on critical illness contracts.

Pensioners: reassurers are exploring long-term care products

The pioneering life companies in this field kept the cover limits low. Now life companies are offering unlimited cover – a move that involves more reassurance. A decade or two ago, the reassurers backed a number of life companies coming into the UK life assurance market when conditions were booming.

The problem then was to educate these new companies in controlling the rate of expansion of business so that those companies did not overstretch their capital resources. Many of these companies are now running into problems with the fall off in new business. The reassurers are now advising these companies as to the best means of weathering the recession.

Munich Re has produced a series of papers on the subject for its client companies.

The economic recession has resulted in the services of reassurers in checking out the experience on PHI (Permanent Health Insurance) contracts.

These contracts pay income to policy-holders who are ill or disabled for long periods. Because of the recession, people claiming PHI benefits are not in a hurry to state that they are fit to resume work. As such, certain life companies are experiencing heavy losses on this type of business.

Investigations by reassurers usually reveal that the life company has inadequate claim controls – again an area where the reassurers have considerable practical experience.

Finally, reassurers are taking a leading role in exploring the new and growing field of long term care. With the numbers of elderly people in the UK expanding steadily, the demand for care and services will certainly grow. People will need to plan in their middle age for the meeting the costs of care when they become old.

The life assurance industry is the natural medium for providing contracts to build up funds. But it is a new field and the reassurers consider that they have the expertise to assess the risks and design and cost the products.

Eric Short

Industry worried by prospect of paying for environmental clean up

Questions over liability

ONE of the biggest questions hanging over the non-life insurance market in the 1990s is who will pay for cleaning up the environment.

Coming on the back of the vast sums that have been paid out in recent years on asbestos bodily injury claims, many observers think that insurers' and reinsurers' solvency is at stake.

In the US, the scope of liability for environmental costs seems infinitely expansive and the law in Europe and Japan seems destined to follow a similar, if less draconian, route. The costs involved take one's breath away.

The US Environmental Protection Agency estimates an eventual aggregate cost for clean ups of around US$60bn. The US Congress' Office of Technology Assessment (OTA) puts it at $500bn.

These figures are just for federal clean ups. Behind them, a 1989 survey found more than 28,000 sites on state priority lists. Consultant Tillinghast has estimated total costs to insurers from inactive hazardous waste sites in the US at between $41bn and $1,065bn, depending on the extent of the clean up and the degree to which insurers' liability policies are ruled to cover such costs.

Insurers, for their part, are vigorously resisting coverage in the US courts, with no clear trend emerging yet in the judgments. If the judgments started to go against insurers, the result could be disastrous, or possibly terminal for the insurance market, according to Mr Mark Hewett of brokers Bowring Re.

In the meantime, some hard lessons have been learned from the asbestos experience, particularly about reinsurers who are reluctant to pay up. Earlier this year, representatives of the London market Asbestos Working Party (AWP) announced an understanding with six leading European reinsurers.

This agreement marked a breakthrough in a long-running dispute which has been taking place between direct insurers (cedants) and their reinsurers.

Reinsurers have found it hard to believe that they are liable for the amounts of money that direct insurers have been paying out to resolve the massive backlog of asbestos bodily injury claims.

Many of those claims are being settled, not directly between victims and asbestos producers, but through generic sharing arrangements under the 1985 Wellington Agreement, the Asbestos Claims Facility set up as a result and the facility's successor, the Centre for Claims Resolution.

These mechanisms were designed to reduce legal and other service costs, and to avoid cross-claims between asbestos producers where it is uncertain to whose asbestos materials a victim has been exposed.

Insurers subscribing to the agreement are convinced that they have saved enormous sums of money by settling claims in this way.

But the arrangements mean that a producer, and consequently its insurers, makes payments in cases which do not directly involve its own products.

On the other hand, other producers contribute towards

'The Hiscox judgment was a narrow one and one that will not apply to most reinsurance in the market'

settlements that do involve its products. The sharing formulae are designed to make sure of an equitable distribution overall.

The understanding announced in March involved direct insurers providing greater information to the reinsurers on the settlements that are being made, in the form of London Asbestos Reinsurance Information (LARI) checklists, to supplement the which is data already supplied by individual cedants.

The hope was that a smoother relationship with the big reinsurers would set the pattern for reinsurance generally and isolate the relatively few smaller reinsurers who have resisted payment.

More recently, the understanding seemed to receive a knock from an appeal court ruling in London, involving two Lloyd's syndicates, managed by Outhwaite (Underwriting Agencies) and Roberts & Hiscox.

This ruled that reinsurers do not have to pay for settlements which cedants entered into without being legally liable for them. The implication appears to be that reinsurers can demand to see the details on every single settlement and that all market sharing arrangements are unworkable.

Mr Sebastian Salama, of London reinsurance brokers Alexander Howden, who has been assisting the AWP, takes a less pessimistic view. He points out that the Hiscox judgment was a narrow one that will not apply to most reinsurance in the market, and that both the judgment and the underlying arbitration award specifically acknowledge the savings brought about by the Wellington Agreement.

Mr Robin Jackson, chairman of the AWP, has circulated the market appealing for calm, saying that the AWP's legal and technical advisers are looking at the matter and that the AWP is hoping to clarify the situation by the end of September.

Mr Salama says that he expects the large professional reinsurers to continue paying claims settled under the Agreement, though he foresees some recalcitrant reinsurers using the Hiscox judgment as simply another reason for not paying what are legitimate claims entered into in good faith by their cedants.

Some reinsurers are even refusing to pay on settlements covering producers that were never parties to the Wellington Agreement, so never participated in the sharing arrangements.

"I am not worried about the major reinsurers," he says. "These are honourable upright, renowned companies that act in good faith. Above all, they are professionals who have been in this business a very, very long time. They know that in the London market, we have acted and continue to act professionally.

"I am worried about the smaller, "non-professional" reinsurers, who either do not understand or do not wish to understand, or do not have the ability to pay and are not admitting that.

"These we are going to smoke out and to pursue through joint market action."

Mr Michael Mendelowitz, of London solicitors Barlow Lyde & Gilbert, argues that, if any kind of sharing arrangement is contemplated for pollution, it is vital that direct insurers get reinsurers' agreement first. Mr Salama reports that the AWP has already taken on board the need for good communications between the two sides.

The problem with pollution, Mr Hewett argues, is that it is a much more complicated issue: "It comes in so many different guises and the technology is changing so fast. The legal and scientific goalposts are shifting all the time."

In that context, where no one really knows what an "occurrence" is, what the coverage triggers are or what the losses will be, reinsurers are unlikely to give a "carte blanche".

Chris Clark